

# **Catholic Charities of Southwestern Ohio and Subsidiary**

**Consolidated Financial Statements with Supplementary Information  
December 31, 2015 with Summarized Comparative Totals for 2014 and  
Independent Auditors' Report**

**CATHOLIC CHARITIES OF SOUTHWESTERN OHIO AND SUBSIDIARY**

**December 31, 2015**

**With Summarized Comparative Totals for December 31, 2014**

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## Independent Auditors' Report

The Board of Directors  
Catholic Charities of Southwestern Ohio and Subsidiary  
Cincinnati, Ohio

### ***Report on the Consolidated Financial Statements***

We have audited the accompanying consolidated financial statements of Catholic Charities of Southwestern Ohio and Subsidiary (a nonprofit organization) which comprise the consolidated statement of financial position as of December 31, 2015, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Catholic Charities of Southwestern Ohio and Subsidiary as of December 31, 2015, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Independent Auditors' Report  
(Continued)**

***Report on Summarized Comparative Information***

We have previously audited Catholic Charities of Southwestern Ohio and Subsidiary's 2014 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 20, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

***Effect of Adopting New Accounting Standard***

As discussed in Note 1, the Financial Accounting Standards Board recently issued Accounting Standards Update (ASU) 2015-07 related to fair value measurements. ASU 2015-07 removes the requirement to categorize in the fair value hierarchy all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Investments that calculate net asset value per share, but for which the practical expedient is not applied, will continue to be included in the fair value hierarchy. The change had no effect on the net assets or the change in net assets of the Organization for 2015 or 2014. Our opinion is not modified with respect to this matter.

***Other Matters***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental schedules of financial position and activities by area are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2016, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

*Burns, Donning & Co., Ltd.*

April 28, 2016  
Cincinnati, Ohio

**CATHOLIC CHARITIES OF SOUTHWESTERN OHIO AND SUBSIDIARY**

**Consolidated Statement of Financial Position  
December 31, 2015 with Summarized Comparative Totals for December 31, 2014**

	2015	2014
<b>Assets</b>		
Cash	\$ 524,365	\$ 275,646
Accounts receivable, net	335,719	422,773
Contributions receivable	981,787	897,039
Prepaid expenses	105,273	80,782
Inventory	1,375,015	1,017,562
Investments	4,009,134	4,701,401
Property and equipment, net	1,701,179	1,627,194
Total assets	\$ 9,032,472	\$ 9,022,397
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 427,475	\$ 426,510
Accrued retirement expenses	3,874,137	4,477,205
Total liabilities	4,301,612	4,903,715
<b>Net Assets</b>		
Unrestricted	3,082,420	2,606,679
Temporarily restricted	1,398,440	1,262,003
Permanently restricted	250,000	250,000
Total net assets	4,730,860	4,118,682
Total liabilities and net assets	\$ 9,032,472	\$ 9,022,397

See accompanying notes to consolidated financial statements

**CATHOLIC CHARITIES OF SOUTHWESTERN OHIO AND SUBSIDIARY**

**Consolidated Statement of Activities  
Year Ended December 31, 2015 with Summarized Comparative Totals for Year Ended 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2015 Total</u>	<u>2014 Total</u>
<b>Revenue, gains and other support</b>					
Donations, grants and planned giving	\$ 1,460,606	\$ 1,125,529	\$ -	\$ 2,586,135	\$ 2,069,607
United Way	947,677	108,736	-	1,056,413	1,016,077
Donated food for distribution	9,063,524	-	-	9,063,524	9,165,108
Governmental grants and fees	2,380,548	-	-	2,380,548	2,061,962
Program service fees	360,942	-	-	360,942	403,022
Investment income	144,592	15,059	-	159,651	123,404
Special events	113,060	-	-	113,060	142,816
Other revenue and support	15,963	-	-	15,963	22,259
Net assets released from restriction	<u>1,097,857</u>	<u>(1,097,857)</u>	-	-	-
Total revenue, gains and other support	<u>15,584,769</u>	<u>151,467</u>	-	<u>15,736,236</u>	<u>15,004,255</u>
<b>Expenses</b>					
Donated food expense	8,771,934	-	-	8,771,934	9,399,284
Salaries and related expenses	4,510,927	-	-	4,510,927	4,145,001
Other direct	551,265	-	-	551,265	494,174
Senior volunteer costs	508,783	-	-	508,783	448,337
Individual assistance	503,994	-	-	503,994	399,898
Occupancy	460,293	-	-	460,293	333,594
Depreciation	163,110	-	-	163,110	147,910
Transportation	<u>62,424</u>	-	-	<u>62,424</u>	<u>124,809</u>
Total expenses	<u>15,532,730</u>	-	-	<u>15,532,730</u>	<u>15,493,007</u>
<b>Change in net assets from operations</b>	52,039	151,467	-	203,506	(488,752)
<b>Non-operating gains (losses):</b>					
Net unrealized gains (losses) on investments	(149,360)	(15,030)	-	(164,390)	217,382
Actuarial gain (loss) on pension plan	<u>573,062</u>	-	-	<u>573,062</u>	<u>(1,791,517)</u>
<b>Change in net assets</b>	475,741	136,437	-	612,178	(2,062,887)
<b>Net assets, beginning of year</b>	<u>2,606,679</u>	<u>1,262,003</u>	<u>250,000</u>	<u>4,118,682</u>	<u>6,181,569</u>
<b>Net assets, end of year</b>	<u><u>\$ 3,082,420</u></u>	<u><u>\$ 1,398,440</u></u>	<u><u>\$ 250,000</u></u>	<u><u>\$ 4,730,860</u></u>	<u><u>\$ 4,118,682</u></u>

See accompanying notes to consolidated financial statements

## CATHOLIC CHARITIES OF SOUTHWESTERN OHIO AND SUBSIDIARY

### Consolidated Statement of Functional Expenses Year Ended December 31, 2015 with Summarized Comparative Totals for Year Ended December 31, 2014

	Mental Health Services	Family Services	Refugee Resettlement	Su Casa Hispanic Center	Food Bank	Senior Services	Total Program Services	Management and General	Fundraising	2015 Totals	2014 Totals
Salaries and wages	\$ 782,506	\$ 171,381	\$ 306,749	\$ 280,084	\$ 535,077	\$ 192,060	\$ 2,267,857	\$ 491,331	\$ 156,736	\$ 2,915,924	\$ 2,802,724
Employee benefits	225,027	55,413	128,682	79,349	221,563	79,925	789,959	83,214	48,808	921,981	727,451
Professional fees	72,801	51,945	53,713	20,122	101,959	11,873	312,413	71,168	32,937	416,518	370,015
Payroll taxes	65,471	14,468	26,875	25,345	49,512	19,584	201,255	41,954	13,295	256,504	244,811
	<u>1,145,805</u>	<u>293,207</u>	<u>516,019</u>	<u>404,900</u>	<u>908,111</u>	<u>303,442</u>	<u>3,571,484</u>	<u>687,667</u>	<u>251,776</u>	<u>4,510,927</u>	<u>4,145,001</u>
Donated food	-	-	19,727	34,375	8,717,832	-	8,771,934	-	-	8,771,934	9,399,284
Other direct	90,364	19,058	42,255	41,273	195,326	25,138	413,414	73,344	64,507	551,265	494,174
Senior volunteer costs	-	-	-	-	-	508,373	508,373	410	-	508,783	448,337
Individual assistance	-	10,000	296,508	17,750	179,736	-	503,994	-	-	503,994	399,898
Occupancy	103,280	10,222	51,636	64,635	135,162	21,735	386,670	60,574	13,049	460,293	333,594
Transportation	8,496	4,006	14,627	1,445	22,377	3,863	54,814	7,193	417	62,424	124,809
	<u>1,347,945</u>	<u>336,493</u>	<u>940,772</u>	<u>564,378</u>	<u>10,158,544</u>	<u>862,551</u>	<u>14,210,683</u>	<u>829,188</u>	<u>329,749</u>	<u>15,369,620</u>	<u>15,345,097</u>
Depreciation	<u>3,177</u>	<u>232</u>	<u>3,200</u>	<u>3,135</u>	<u>127,723</u>	<u>5,136</u>	<u>142,603</u>	<u>18,427</u>	<u>2,080</u>	<u>163,110</u>	<u>147,910</u>
Total 2015 expenses	<u>\$ 1,351,122</u>	<u>\$ 336,725</u>	<u>\$ 943,972</u>	<u>\$ 567,513</u>	<u>\$ 10,286,267</u>	<u>\$ 867,687</u>	<u>\$ 14,353,286</u>	<u>\$ 847,615</u>	<u>\$ 331,829</u>	<u>\$ 15,532,730</u>	
Total 2014 expenses	<u>\$ 987,435</u>	<u>\$ 288,198</u>	<u>\$ 765,336</u>	<u>\$ 469,886</u>	<u>\$ 10,971,296</u>	<u>\$ 982,229</u>	<u>\$ 14,464,380</u>	<u>\$ 810,340</u>	<u>\$ 218,287</u>		<u>\$ 15,493,007</u>

See accompanying notes to consolidated financial statements

**CATHOLIC CHARITIES OF SOUTHWESTERN OHIO AND SUBSIDIARY**

**Consolidated Statement of Cash Flows**

**Year Ended December 31, 2015 with Summarized Comparative Totals for Year Ended December 31, 2014**

	<u>2015</u>	<u>2014</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 612,178	\$ (2,062,887)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	163,110	147,910
Net realized and unrealized (gains) losses on investments	51,337	(276,753)
Gain on sale of property and equipment	(3,151)	-
Changes in:		
Accounts receivable, net	87,054	(32,587)
Contributions receivable	(84,748)	48,416
Prepaid expenses	(24,491)	189
Inventory	(357,453)	163,131
Accounts payable and accrued expenses	965	(92,961)
Accrued retirement expenses	<u>(603,068)</u>	<u>1,807,688</u>
Net cash used in operating activities	<u>(158,267)</u>	<u>(297,854)</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(237,095)	(286,127)
Proceeds from sale of property and equipment	3,151	-
Purchase of investments	(188,242)	(195,442)
Proceeds from sale of investments	<u>829,172</u>	<u>628,601</u>
Net cash provided by investing activities	<u>406,986</u>	<u>147,032</u>
<b>Net change in cash</b>	248,719	(150,822)
<b>Cash, beginning of year</b>	<u>275,646</u>	<u>426,468</u>
<b>Cash, end of year</b>	<u><u>\$ 524,365</u></u>	<u><u>\$ 275,646</u></u>

See accompanying notes to consolidated financial statements



# CATHOLIC CHARITIES OF SOUTHWESTERN OHIO AND SUBSIDIARY

## Notes to the Consolidated Financial Statements

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Catholic Charities of Southwestern Ohio and Subsidiary (the Organization) is a ministry of the Archdiocese of Cincinnati serving the poor and vulnerable of the community. The Organization's mission is to enlighten, serve and empower their clients, benefactors and others who join with the Organization in living the mission of Christ.

Su Casa Hispanic Center, LLC (an Ohio limited liability corporation) was formed in 2013 and is a wholly owned subsidiary of Catholic Charities of Southwestern Ohio. Su Casa Hispanic Center was formed for the purpose of separating the operations of the Su Casa Hispanic Center from the general operations of Catholic Charities of Southwestern Ohio.

The Organization seeks revenues adequate to support its programs. Principal providers of funds are the United Way, the Archdiocese of Cincinnati and the Catholic Ministries Appeal, the federal government in the form of grants, other governmental agencies and many legacies, bequests and donations.

Mental Health Services are provided to individuals that exhibit symptoms that could require mental health counseling. These services are provided to individuals, families and groups. A sliding cost of service is available to those who are eligible and meet certain income requirements to help subsidize the costs.

Family Services finds ways to heal broken families and hurting children by providing programs for early childhood mental health intervention, parenting education, personal and family growth, and postponing sexual involvement.

Refugee Resettlement provides services to resettle refugees who are fleeing war, persecution, and economically devastated lands. The goal is to provide these individuals with the resources they need to be self-sustainable through housing, employment and language skills.

Su Casa Hispanic Center is the primary provider of social, educational, language, employment and health care federal services to the Hispanic/Latino community in Greater Cincinnati. The mission of Su Casa is to promote self-sufficiency for the Hispanic/Latino immigrant community that comes to the U.S. looking for a better way of life for their families.

Food Bank serves individuals through food distribution to member agencies, including pantries, soup kitchens, and other agencies. It also operates two food pantries, a mobile food pantry and provides direct cash assistance to individuals in need.

Senior Services provides opportunities for meaning and value for seniors through five key programs: Caregiver Assistance Network, Foster Grandparent Program, Northern Brown Senior Center, Senior Companion Program and Retired Senior Volunteer Program.

#### ***Principles of Consolidation***

The accompanying financial statements include the assets, liabilities and financial activities of Catholic Charities of Southwestern Ohio and Su Casa Hispanic Center, LLC (collectively, the Organization). All significant inter-organizational balances and transactions have been eliminated for purposes of this presentation.

# CATHOLIC CHARITIES OF SOUTHWESTERN OHIO AND SUBSIDIARY

## Notes to the Consolidated Financial Statements (Continued)

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Financial Statement Presentation***

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2014 from which the comparative information was derived.

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets which have no donor-imposed restriction; temporarily restricted net assets which have donor-imposed restrictions that will expire in the future; and permanently restricted net assets which have donor-imposed restriction which do not expire.

#### ***Fair Value Measurements***

GAAP has a three-level hierarchy for fair value measurements based on transparency of valuation inputs as of the measurement date. The hierarchy is based on the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows: Level 1 inputs are unadjusted quoted prices for identical assets in active markets; Level 2 inputs are observable quoted prices for similar assets in active markets; Level 3 inputs are unobservable and reflect management's best estimate of what market participants would use as fair value.

#### ***Cash***

The Organization maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. The Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk.

#### ***Account Receivable***

The Organization states its accounts receivable net of an allowance for doubtful accounts. On a periodic basis, the Organization evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on a history of past write-offs, collections and current credit conditions. No allowance for doubtful accounts is deemed necessary at December 31, 2015 and 2014.

#### ***Inventory and Donated Food for Distribution***

Donated food for distribution is reflected as a contribution in the accompanying financial statements at their fair value at date of receipt. Receipt and subsequent disbursement of donated food for distribution is shown in the statement of activities at \$1.70 and \$1.72 per pound in 2015 and 2014, respectively, for revenue and expense resulting in zero gross margins. Donated food for distribution on hand at year end is reported as inventory in the statement of financial position at \$1.70 and \$1.72 per pound at December 31, 2015 and 2014, respectively.

# CATHOLIC CHARITIES OF SOUTHWESTERN OHIO AND SUBSIDIARY

## Notes to the Consolidated Financial Statements (Continued)

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Investments and Investment Return***

Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Other investments are valued at the lower of cost or fair value. Investment return includes dividends, interest and realized and unrealized gains and losses on investments.

Alternative investments consist of investments in limited liability companies, which are not valued upon quoted market prices. The limited liability companies invest in various partnership interests, managed accounts and other vehicles to generate its investment return. These funds record investments at net asset value per share (NAV) as reported by fund managers, which represent the Organization's proportionate interest in the capital of the invested funds.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the statements of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

The Organization's investments do not have a significant concentration of credit or market risk within any industry, specific institution or group of investments.

#### ***Property and Equipment***

Property and equipment are recorded at cost or, if donated or impaired, at fair value at the time of the gift or determination. Depreciation is calculated on a straight-line basis over the estimated useful lives of the respective assets. Major improvements are capitalized, while maintenance and repairs are expensed as incurred.

In accordance with GAAP, the Organization assesses the recoverability of the carrying amount of property and equipment if certain events or changes occur, such as a significant decrease in market value of the assets or a significant change in operating conditions. Based on its most recent analysis, the Organization believes no impairments existed at December 31, 2015 and 2014.

#### ***Donations and Planned Giving***

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as unrestricted revenue.

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. In the absence of explicit donor stipulations about how long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

# CATHOLIC CHARITIES OF SOUTHWESTERN OHIO AND SUBSIDIARY

## Notes to the Consolidated Financial Statements (Continued)

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Government Fees and Grants***

Revenues of the Organization consist primarily of Federal, state, and local cost reimbursable grants. The grants are conditional on the Organization incurring allowable expenses in performance of the grants. Grant revenue is recognized as support to the extent that the related expenses are incurred. Grant funds received in excess of expenses incurred result in the recognition of a refundable advance (liability). Allowable expenses incurred in excess of grant funds received results in recognition of grants receivable (asset).

#### ***Income Taxes***

The Organization is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of Ohio law. However, the Organization is subject to federal income tax on any unrelated business taxable income.

The Organization's IRS Form 990 is subject to review and examination by federal and state authorities. The Organization believes it has appropriate support for any tax positions taken, and therefore does not have any uncertain income tax positions that are material to the financial statements.

#### ***Functional Allocation of Expenses***

Salaries and related expenses are charged to program services based on an estimate of time spent by personnel on the related programs. Direct expenses are charged to the program based on costs incurred when specifically identifiable with a program. All other expenses are allocated to programs based on full time equivalents.

#### ***Use of Estimates***

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

#### ***Effect of Adopting New Accounting Standard***

In 2015, the Organization adopted FASB Accounting Standards Update (ASU) 2015-07, an amendment to FASB Accounting Standard Codification 820, Fair Value Measurement. ASU 2015-07 removes the requirement to categorize in the fair value hierarchy all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Investments that calculate net asset value per share, but for which the practical expedient is not applied will continue to be included in the fair value hierarchy. The change had no effect on the net assets or the change in net assets of the Organization in 2015 or 2014.

#### ***Reclassifications***

Certain 2014 figures have been reclassified to conform to the 2015 presentation. These reclassifications had no net effect on the net assets or the change in net assets of the Organization in 2014.

## CATHOLIC CHARITIES OF SOUTHWESTERN OHIO AND SUBSIDIARY

### Notes to the Consolidated Financial Statements (Continued)

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### *Subsequent Events*

The Organization has evaluated subsequent events through April 28, 2016, which is the date the financial statements were available to be issued.

#### NOTE 2 CONTRIBUTIONS RECEIVABLE

The Organization has recorded the following contribution receivables:

	2015	2014
United Way	\$ 931,787	\$ 897,039
Bequests	50,000	-
	\$ 981,787	\$ 897,039

All contributions receivable are expected to be collected within one year of the statement of financial position date.

#### NOTE 3 INVESTMENTS AT FAIR VALUE

Investments consisted of the following:

	2015	2014
<b>Level 1:</b>		
Common stocks	\$ 15,661	\$ 50,296
<b>Level 2:</b>		
Money market funds	27,286	23,048
<b>Not subject to fair value hierarchy:</b>		
Alternative investments	3,553,914	4,211,873
Funds held at The Springfield Foundation	412,273	416,184
Total not subject to fair value hierarchy	3,966,187	4,628,057
	\$ 4,009,134	\$ 4,701,401

Fair values for common stocks are estimated by reference to quoted market prices available in an active market. Fair values for money market funds are estimated using pricing models or quoted prices of securities with similar characteristics.

Included in the above investments are investments of \$3,966,187 and \$4,628,057 at December 31, 2015 and 2014, respectively, in unregistered investment pools. The investment pools in turn invest in various equity and debt securities and other vehicles to generate its investment return. The fair value of these investment pools is reported by the Organization based on information provided by the investment managers. Values may be based on readily available public market data as well as estimates that require varying degrees of judgment. Generally, fair value reflects net contributions to the investee and an ownership share of realized and unrealized investment income and expense. The financial statements of the investee are prepared consistent with the measurement principles of an investment company or have the attributes of an investment company. The financial statements are audited annually by independent auditors as of December 31 with the most recent being as of December 31, 2015 and 2014, respectively.

## CATHOLIC CHARITIES OF SOUTHWESTERN OHIO AND SUBSIDIARY

### Notes to the Consolidated Financial Statements (Continued)

#### NOTE 3 INVESTMENTS AT FAIR VALUE (Continued)

Valuations for these investment pools provided by the investment managers are evaluated by the Organization, and management believes such values are reasonable for the years ended December 31, 2015 and 2014. The Organization used net asset value per share (NAV) as a practical expedient to determine the fair value of these investments. In accordance with ASU 2015-07, these investments are not required to be categorized using the fair value hierarchy.

The following table lists the investments in other investment companies by major category:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
<b>December 31, 2015</b>				
Alternative investments	\$ 3,553,914	\$ -	daily	zero days
The Springfield Foundation	412,273	-	annually	7-10 days
	<u>\$ 3,966,187</u>	<u>\$ -</u>		
<b>December 31, 2014</b>				
Alternative investments	\$ 4,211,873	\$ -	daily	zero days
The Springfield Foundation	416,184	-	annually	7-10 days
	<u>\$ 4,628,057</u>	<u>\$ -</u>		

Investment return is comprised of the following:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 46,598	\$ 64,033
Realized gains on investments	113,053	59,371
	<u>\$ 159,651</u>	<u>\$ 123,404</u>

#### NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	<u>2015</u>	<u>2014</u>
Building	\$ 1,713,197	\$ 1,650,430
Furniture and fixtures	332,114	116,174
Computer equipment	158,528	127,846
Warehouse equipment	119,000	87,996
Software license fee	71,862	58,942
Building improvements	14,206	10,736
Automobiles	493,994	500,958
	2,902,901	2,553,082
Less accumulated depreciation	<u>(1,271,722)</u>	<u>(1,148,078)</u>
	1,631,179	1,405,004
Land	70,000	70,000
Construction in process	-	152,190
	<u>\$ 1,701,179</u>	<u>\$ 1,627,194</u>

## CATHOLIC CHARITIES OF SOUTHWESTERN OHIO AND SUBSIDIARY

### Notes to the Consolidated Financial Statements (Continued)

#### NOTE 5 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	2015	2014
For use in future periods	\$ 981,787	\$ 932,039
SuCasa	141,993	82,319
Accumulated endowment earnings	139,851	143,821
Other programs	91,746	32,885
Gifts of the Magi program	43,063	70,939
	\$ 1,398,440	\$ 1,262,003

#### NOTE 6 PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable to support counseling and direct assistance to women in poverty.

#### NOTE 7 RELATED PARTY

The Organization paid rent and other expenses of \$21,577 and \$95,509 in 2015 and 2014, respectively, to the Archdiocese of Cincinnati. The Organization received \$1,260,613 and \$867,613 in 2015 and 2014, respectively, of public support from the Archdiocese of Cincinnati.

#### NOTE 8 FOOD BANK OPERATIONS

The Organization operates a food bank in Springfield, Ohio that serves approximately 100 nonprofit food pantries and other meal sites in the area. Food is either donated by various local and national businesses or purchased in large quantities at a discount. The food is then made available to various area pantries and non-profit organizations for a shared maintenance fee. Food bank operations are reported as "basic needs" on the statement of functional expenses.

#### NOTE 9 EMPLOYEE BENEFIT PLANS

Effective January 1, 2012, the Organization began participation in the Archdiocese of Cincinnati 401(k) plan. Employees are able to make elective deferrals. In addition, the Organization makes a contribution of 2% of compensation for eligible employees. During 2015 and 2014, contributions expensed by the Organization were \$52,505 and \$48,643, respectively.

The Organization has a noncontributory, defined benefit pension plan covering substantially all lay employees. Benefits are based upon years of service and the employee's compensation. Normal retirement age is 65, but provision is made for earlier retirement. During 2011, the Organization froze the plan to new participants and ceased plan benefit accruals for existing participants as of December 31, 2011.

The measurement dates used for calculating pension obligations were December 31, 2015 and 2014. The accumulated benefit obligation for the pension plan was \$11,602,287 and \$12,595,313 at December 31, 2015 and 2014, respectively.

## CATHOLIC CHARITIES OF SOUTHWESTERN OHIO AND SUBSIDIARY

### Notes to the Consolidated Financial Statements (Continued)

#### NOTE 9 EMPLOYEE BENEFIT PLANS (Continued)

The following table presents the changes in projected benefit obligation and changes in plan assets:

	2015	2014
<b>Changes in benefit obligation:</b>		
Benefit obligation, beginning of year	\$ 12,595,313	\$ 10,860,736
Service cost	27,179	30,302
Interest cost	449,424	487,947
Actuarial (gain) loss	(790,820)	1,791,965
Benefits paid	(678,809)	(575,637)
Benefit obligation, end of year	\$ 11,602,287	\$ 12,595,313
<b>Changes in plan assets:</b>		
Fair value of plan assets, beginning of year	\$ 8,118,108	\$ 8,191,219
Actual return on plan assets	38,851	502,526
Employer contributions	250,000	-
Benefits paid	(678,809)	(575,637)
Fair value of plan assets, end of year	\$ 7,728,150	\$ 8,118,108

The funded status and amounts recognized in our statement of financial position were:

	2015	2014
Projected benefit obligation	\$ 11,602,287	\$ 12,595,313
Fair value of plan assets	7,728,150	8,118,108
Pension liability	\$ 3,874,137	\$ 4,477,205

The components of net periodic benefit costs were as follows:

	2015	2014
Service cost	\$ 27,179	\$ 30,302
Interest cost	449,424	487,947
Actual return on plan assets	(38,851)	(502,526)
Net asset gain (loss) amortization and deferral	(217,758)	448
	\$ 219,994	\$ 16,171

The fair value of the Organization's defined benefit pension plan assets were as follows:

	2015	2014
<b>Level 2:</b>		
Equity securities and mutual funds in pooled separate accounts	\$ 3,955,410	\$ 4,297,541
Fixed income securities and mutual funds in pooled separate accounts	3,173,797	3,398,029
General account	598,943	422,538
	\$ 7,728,150	\$ 8,118,108



## CATHOLIC CHARITIES OF SOUTHWESTERN OHIO AND SUBSIDIARY

### Notes to the Consolidated Financial Statements (Continued)

#### NOTE 9 EMPLOYEE BENEFIT PLANS (Continued)

Following is a description of the valuation approaches used for assets measured at fair value. There have been no changes in methodologies used at December 31, 2015 and 2014.

Equity and fixed income securities and mutual funds in pooled separate accounts: The net asset value ("NAV") of the pooled separate account is based on the market value of its underlying investments. The pooled separate account is not a publicly-quoted price in an active market.

General account: Valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the creditworthiness of the issuer. The carrying value approximates fair value.

Significant assumptions used in accounting for the pension plan were:

	2015	2014
Discount rate	4.00%	3.70%
Expected return on plan assets	7.00%	7.00%
Rate of compensation increase	N/A	N/A

The expected long-term rate of return on plan assets assumption of 7.00% was selected in accordance with Actuarial Standards Board in Actuarial Standards of Practice No. 27 – Selection of Economic Assumptions for Measuring Pension Obligations. Based on investment policy for the pension plan in effect as of the beginning of the fiscal year, a best estimate range was determined for both the real rate of return (net of inflation and investment expense) and for inflation based on long term historical return on the applicable asset classes. An average inflation rate within the range equal to 3.25% was selected and added to the real rate of return range to arrive at a net estimate range of 6.48% - 9.18%. A rate of 7.00%, which is within the best estimate range, was selected.

Because the assumptions used in the accounting for the defined benefit plan are significant estimates, it is at least reasonably possible the amounts may change in the future, and these changes could be significant. Because of the unfunded status of the plan, a change in the assumed discount rate can have a significant impact on the resulting liability recorded on the financial statements.

The Organization expects to contribute \$250,000 to the plan during 2015, which was contributed on February 26, 2016.

Benefits expected to be paid by the plan during the ensuing five years and the five years thereafter are approximately as follows:

2016	\$	594,000
2017		601,000
2018		622,000
2019		634,000
2020		637,000
2021 - 2025		3,510,000
		\$ 5,327,000

## CATHOLIC CHARITIES OF SOUTHWESTERN OHIO AND SUBSIDIARY

### Notes to the Consolidated Financial Statements (Continued)

#### NOTE 10 LEASES

The Organization maintains operating leases under varying terms for office space and equipment through 2025.

Future minimum lease payments are as follows:

2016	\$ 236,967
2017	230,178
2018	227,954
2019	233,641
2020	216,133
After	<u>1,006,959</u>
	<u>\$ 2,151,832</u>

Total rent expense was approximately \$306,000 and \$171,000 in 2015 and 2014, respectively.

#### NOTE 11 ENDOWMENT FUNDS

The Organization's endowment consists of donor-restricted and board designated funds established to provide income to operations. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

##### *Interpretation of Relevant Law*

The Organization follows the Ohio Prudent Management of Institutional Funds Act (OPMIFA). The Organization has interpreted OPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted permanent endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by OPMIFA.

In accordance with OPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the fund; the purposes of the Organization and the donor-restricted endowment fund; general economic conditions; the possible effect of inflation and deflation; the expected total return from income and the appreciation of investments; other resources of the Organization; and the investment policies of the Organization.

## CATHOLIC CHARITIES OF SOUTHWESTERN OHIO AND SUBSIDIARY

### Notes to the Consolidated Financial Statements (Continued)

#### NOTE 11 ENDOWMENT FUNDS (Continued)

##### Investment Policy

The Organization has adopted investment and spending policies for endowment assets that attempt to provide for preservation of capital with an emphasis on consistent long-term growth of principal, without undue exposure to risk. A secondary focus shall be placed on income generation to assist in providing for fund distribution. The return objective shall be accomplished using a balanced strategy of cash equivalents, fixed income securities and equities. The performance objectives will be measured against appropriate industry benchmarks such as the S&P 500 Index, Russell Stock 2000 Index, the Morgan Stanley Capital, and International EAFE Index.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

##### Spending Policy

The Organization has a policy of appropriating for distribution each year four percent of its previous three year moving average of the market value of the endowment assets. The Board of Trustees can authorize additional spending from the unrestricted endowment as it deems appropriate. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, this spending policy should, over time, protect the inflation-adjusted value of the endowment and, consequently, allow inflation-adjusted spending to occur into the distant future. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Endowment asset composition by type of fund is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>2015</b>				
Donor restricted endowment	\$ -	\$ 139,851	\$ 250,000	\$ 389,851
Board designated endowment	3,553,914	-	-	3,553,914
	<u>\$ 3,553,914</u>	<u>\$ 139,851</u>	<u>\$ 250,000</u>	<u>\$ 3,943,765</u>
<b>2014</b>				
Donor restricted endowment	\$ -	\$ 143,821	\$ 250,000	\$ 393,821
Board designated endowment	4,211,873	-	-	4,211,873
	<u>\$ 4,211,873</u>	<u>\$ 143,821</u>	<u>\$ 250,000</u>	<u>\$ 4,605,694</u>

**CATHOLIC CHARITIES OF SOUTHWESTERN OHIO AND SUBSIDIARY**

**Notes to the Consolidated Financial Statements  
(Continued)**

**NOTE 11 ENDOWMENT FUNDS (Continued)**

Changes in endowment net assets are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>December 31, 2013</b>	\$ 4,304,718	\$ 129,292	\$ 250,000	\$ 4,684,010
Investment return:				
Interest and dividends, net of fees	52,023	3,373	-	55,396
Gains on investments	255,132	21,156	-	276,288
Distributions	<u>(400,000)</u>	<u>(10,000)</u>	<u>-</u>	<u>(410,000)</u>
<b>December 31, 2014</b>	4,211,873	143,821	250,000	4,605,694
Investment return:				
Interest and dividends, net of fees	41,382	1,504	-	42,886
Losses on investments	(49,341)	(1,474)	-	(50,815)
Distributions	<u>(650,000)</u>	<u>(4,000)</u>	<u>-</u>	<u>(654,000)</u>
<b>December 31, 2015</b>	<u>\$ 3,553,914</u>	<u>\$ 139,851</u>	<u>\$ 250,000</u>	<u>\$ 3,943,765</u>

## **SUPPLEMENTARY INFORMATION**

**CATHOLIC CHARITIES OF SOUTHWESTERN OHIO AND SUBSIDIARY**

**Consolidating Schedule of Financial Position by Area Office  
December 31, 2015**

	<u>Cincinnati</u>	<u>Springfield</u>	<u>Eliminations</u>	<u>Total</u>
<b>Assets</b>				
Cash	\$ 426,710	\$ 97,655	\$ -	\$ 524,365
Accounts receivable, net	252,266	83,453	-	335,719
Contributions receivable	953,051	28,736	-	981,787
Prepaid expenses	101,028	4,245	-	105,273
Amounts due from area office	793,795	-	(793,795)	-
Inventory	-	1,375,015	-	1,375,015
Investments	3,568,256	440,878	-	4,009,134
Property and equipment, net	284,429	1,416,750	-	1,701,179
	<u>\$ 6,379,535</u>	<u>\$ 3,446,732</u>	<u>\$ (793,795)</u>	<u>\$ 9,032,472</u>
<b>Liabilities and Net Assets</b>				
<b>Liabilities</b>				
Accounts payable and accrued expenses	\$ 427,475	\$ -	\$ -	\$ 427,475
Amounts due to area office	-	793,795	(793,795)	-
Accrued retirement expenses	3,043,279	830,858	-	3,874,137
	<u>3,470,754</u>	<u>1,624,653</u>	<u>(793,795)</u>	<u>4,301,612</u>
<b>Net Assets</b>				
Unrestricted	1,762,928	1,319,492	-	3,082,420
Temporarily restricted	1,145,853	252,587	-	1,398,440
Permanently restricted	-	250,000	-	250,000
	<u>2,908,781</u>	<u>1,822,079</u>	<u>-</u>	<u>4,730,860</u>
	<u>\$ 6,379,535</u>	<u>\$ 3,446,732</u>	<u>\$ (793,795)</u>	<u>\$ 9,032,472</u>

See independent auditors' report

**CATHOLIC CHARITIES OF SOUTHWESTERN OHIO AND SUBSIDIARY**

**Consolidating Schedule of Financial Position by Area Office  
December 31, 2014**

	<u>Cincinnati</u>	<u>Springfield</u>	<u>Eliminations</u>	<u>Total</u>
<b>Assets</b>				
Cash	\$ 239,147	\$ 36,499	\$ -	\$ 275,646
Accounts receivable, net	370,343	52,430	-	422,773
Contributions receivable	863,539	33,500	-	897,039
Prepaid expenses	80,782	-	-	80,782
Amounts due from area office	520,602	-	(520,602)	-
Inventory	-	1,017,562	-	1,017,562
Investments	4,259,075	442,326	-	4,701,401
Property and equipment, net	<u>197,713</u>	<u>1,429,481</u>	<u>-</u>	<u>1,627,194</u>
Total assets	<u>\$ 6,531,201</u>	<u>\$ 3,011,798</u>	<u>\$ (520,602)</u>	<u>\$ 9,022,397</u>
<b>Liabilities and Net Assets</b>				
<b>Liabilities</b>				
Accounts payable and accrued expenses	\$ 426,510	\$ -	\$ -	\$ 426,510
Amounts due to area office	-	520,602	(520,602)	-
Accrued retirement expenses	<u>3,646,347</u>	<u>830,858</u>	<u>-</u>	<u>4,477,205</u>
Total liabilities	<u>4,072,857</u>	<u>1,351,460</u>	<u>(520,602)</u>	<u>4,903,715</u>
<b>Net Assets</b>				
Unrestricted	1,373,663	1,233,016	-	2,606,679
Temporarily restricted	1,084,681	177,322	-	1,262,003
Permanently restricted	<u>-</u>	<u>250,000</u>	<u>-</u>	<u>250,000</u>
Total net assets	<u>2,458,344</u>	<u>1,660,338</u>	<u>-</u>	<u>4,118,682</u>
Total liabilities and net assets	<u>\$ 6,531,201</u>	<u>\$ 3,011,798</u>	<u>\$ (520,602)</u>	<u>\$ 9,022,397</u>

See independent auditors' report

**CATHOLIC CHARITIES OF SOUTHWESTERN OHIO AND SUBSIDIARY**

**Consolidating Schedule of Activities by Area Office  
December 31, 2015**

	<u>Cincinnati</u>	<u>Springfield</u>	<u>Total</u>
<b>Revenue, gains and other support</b>			
Donations, grants and planned giving	\$ 1,922,849	\$ 663,286	\$ 2,586,135
United Way	939,292	117,121	1,056,413
Donated food for distribution	-	9,063,524	9,063,524
Governmental grants and fees	2,219,095	161,453	2,380,548
Program service fees	114,624	246,318	360,942
Investment income	139,320	20,331	159,651
Special events	35,045	78,015	113,060
Other revenue and support	7,061	8,902	15,963
	<u>5,377,286</u>	<u>10,358,950</u>	<u>15,736,236</u>
Total revenue, gains and other support			
<b>Expenses</b>			
Donated food expense	54,101	8,717,833	8,771,934
Salaries and related expenses	3,605,987	904,940	4,510,927
Other direct	359,842	191,423	551,265
Senior volunteer costs	508,783	-	508,783
Individual assistance	398,340	105,654	503,994
Occupancy	346,783	113,510	460,293
Depreciation	36,637	126,473	163,110
Transportation	40,078	22,346	62,424
	<u>5,350,551</u>	<u>10,182,179</u>	<u>15,532,730</u>
Total expenses			
<b>Change in net assets from operations</b>	26,735	176,771	203,506
<b>Non-operating gains (losses):</b>			
Net unrealized loss on investments	(149,360)	(15,030)	(164,390)
Actuarial gain on pension plan	573,062	-	573,062
	<u>423,702</u>	<u>161,741</u>	<u>585,443</u>
<b>Change in net assets</b>	450,437	161,741	612,178
<b>Net assets, beginning of year</b>	<u>2,458,344</u>	<u>1,660,338</u>	<u>4,118,682</u>
<b>Net assets, end of year</b>	<u>\$ 2,908,781</u>	<u>\$ 1,822,079</u>	<u>\$ 4,730,860</u>

See independent auditors' report



**CATHOLIC CHARITIES OF SOUTHWESTERN OHIO AND SUBSIDIARY**

**Consolidating Schedule of Activities by Area Office  
December 31, 2014**

	<u>Cincinnati</u>	<u>Springfield</u>	<u>Total</u>
<b>Revenue, gains and other support</b>			
Donations, grants and planned giving	\$ 1,492,534	\$ 577,073	\$ 2,069,607
United Way	895,105	120,972	1,016,077
Donated food for distribution	-	9,165,108	9,165,108
Governmental grants and fees	1,877,110	184,852	2,061,962
Program service fees	126,128	276,894	403,022
Investment income	108,251	15,153	123,404
Special events	45,819	96,997	142,816
Other revenue and support	5,666	16,593	22,259
	<u>4,550,613</u>	<u>10,453,642</u>	<u>15,004,255</u>
Total revenue, gains and other support			
<b>Expenses</b>			
Donated food expense	15,691	9,383,593	9,399,284
Salaries and related expenses	3,184,843	960,158	4,145,001
Other direct	329,614	164,560	494,174
Senior volunteer costs	448,337	-	448,337
Individual assistance	256,880	143,018	399,898
Occupancy	225,196	108,398	333,594
Depreciation	29,822	118,088	147,910
Transportation	86,602	38,207	124,809
	<u>4,576,985</u>	<u>10,916,022</u>	<u>15,493,007</u>
Total expenses			
<b>Change in net assets from operations</b>	(26,372)	(462,380)	(488,752)
<b>Non-operating gains (losses):</b>			
Net unrealized gains on investments	203,494	13,888	217,382
Actuarial loss on pension plan	<u>(1,791,517)</u>	<u>-</u>	<u>(1,791,517)</u>
<b>Change in net assets</b>	(1,614,395)	(448,492)	(2,062,887)
<b>Net assets, beginning of year</b>	<u>4,072,739</u>	<u>2,108,830</u>	<u>6,181,569</u>
<b>Net assets, end of year</b>	<u>\$ 2,458,344</u>	<u>\$ 1,660,338</u>	<u>\$ 4,118,682</u>

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