

Catholic Charities of Southwestern Ohio and Subsidiary

**Consolidated Financial Statements with Supplementary Information
December 31, 2018 with Summarized Comparative Totals for 2017 and
Independent Auditors' Report**

CATHOLIC CHARITIES OF SOUTHWESTERN OHIO AND SUBSIDIARY

December 31, 2018

With Summarized Comparative Totals for December 31, 2017

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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, 2018, 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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Independent Auditors' Report
(Continued)**

Effect of Adopting a New Accounting Standard

As discussed in Note 1, Catholic Charities of Southwestern Ohio and Subsidiary has adopted Financial Accounting Standards Board Accounting Standards Update 2016-14, Presentation of Financial Statements of Not-for-Profit Entities, which primarily addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, the lack of consistency in the type of information provided about expenses and investment return, and other financial statement presentation items and enhanced disclosures. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited Catholic Charities of Southwestern Ohio and Subsidiary's 2017 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 24, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental consolidating schedules of financial position and activities by area offices and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 July 31, 2019 on our consideration of Catholic Charities of Southwestern Ohio and Subsidiary'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 Catholic Charities of Southwestern Ohio and Subsidiary's internal control over financial reporting and compliance.

Barnes, Dennig & Co., Ltd.

Cincinnati, Ohio
July 31, 2019

CATHOLIC CHARITIES OF SOUTHWESTERN OHIO AND SUBSIDIARY

**Consolidated Statement of Financial Position
December 31, 2018 with Summarized Comparative Totals for December 31, 2017**

	<u>2018</u>	<u>2017</u>
Assets		
Cash and cash equivalents	\$ 406,869	\$ 507,972
Accounts receivable, net	503,015	476,047
Contributions receivable	792,008	744,187
Prepaid expenses	136,708	108,563
Inventory	982,008	1,220,771
Investments	4,077,646	4,765,683
Investments restricted by donors for endowment	250,000	250,000
Property and equipment, net	<u>701,848</u>	<u>1,572,034</u>
Total assets	<u><u>\$ 7,850,102</u></u>	<u><u>\$ 9,645,257</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 431,019	\$ 463,971
Accrued retirement expenses	<u>-</u>	<u>3,380,273</u>
Total liabilities	<u>431,019</u>	<u>3,844,244</u>
Net Assets		
Without donor restrictions	6,129,859	4,363,970
With donor restrictions	<u>1,289,224</u>	<u>1,437,043</u>
Total net assets	<u>7,419,083</u>	<u>5,801,013</u>
Total liabilities and net assets	<u><u>\$ 7,850,102</u></u>	<u><u>\$ 9,645,257</u></u>

See accompanying notes to consolidated financial statements

CATHOLIC CHARITIES OF SOUTHWESTERN OHIO AND SUBSIDIARY

**Consolidated Statement of Activities
Year Ended December 31, 2018 with Summarized Comparative Totals for Year Ended 2017**

	Without Donor Donor Restrictions	With Donor Restrictions	2018 Total	2017 Total
Revenue, gains and other support				
Donations, grants and planned giving	\$ 3,170,524	\$ 225,687	\$ 3,396,211	\$ 4,292,798
United Way	71,951	665,950	737,901	837,223
Donated food for distribution	8,036,091	-	8,036,091	8,141,304
Governmental grants and fees	2,211,848	-	2,211,848	2,863,732
Program service fees	237,997	-	237,997	338,015
Investment income, net	172,127	6,080	178,207	199,672
Special events	148,350	-	148,350	174,945
Other revenue and support	405,604	-	405,604	17,891
Net assets released from restriction	1,029,099	(1,029,099)	-	-
Total revenue, gains and other support	<u>15,483,591</u>	<u>(131,382)</u>	<u>15,352,209</u>	<u>16,865,580</u>
Expenses				
Donated food expense	8,311,827	-	8,311,827	8,468,739
Salaries and related expenses	5,102,636	-	5,102,636	5,779,933
Other direct	775,559	-	775,559	786,535
Senior volunteer costs	489,334	-	489,334	496,804
Individual assistance	421,851	-	421,851	622,575
Occupancy	467,458	-	467,458	475,238
Depreciation	125,553	-	125,553	140,279
Transportation	134,196	-	134,196	140,840
Total expenses	<u>15,828,414</u>	<u>-</u>	<u>15,828,414</u>	<u>16,910,943</u>
Change in net assets from operations	(344,823)	(131,382)	(476,205)	(45,363)
Non-operating gains (losses):				
Net unrealized gains (losses) on investments	(376,569)	(16,437)	(393,006)	427,027
Donation of property and equipment	(775,991)	-	(775,991)	-
Gain on pension settlement	3,136,207	-	3,136,207	-
Actuarial gain on pension plan	127,065	-	127,065	51,751
Change in net assets	1,765,889	(147,819)	1,618,070	433,415
Net assets, beginning of year	<u>4,363,970</u>	<u>1,437,043</u>	<u>5,801,013</u>	<u>5,367,598</u>
Net assets, end of year	<u>\$ 6,129,859</u>	<u>\$ 1,289,224</u>	<u>\$ 7,419,083</u>	<u>\$ 5,801,013</u>

See accompanying notes to consolidated financial statements

CATHOLIC CHARITIES OF SOUTHWESTERN OHIO AND SUBSIDIARY

**Consolidated Statement of Functional Expenses
Year Ended December 31, 2018 with Summarized Comparative Totals for Year Ended December 31, 2017**

	Mental Health Services	Family Services	Refugee Resettlement	Language Services	Su Casa Hispanic Center	Food Bank	Senior Services	Total Program Services	Management and General	Fundraising	2018 Totals	2017 Totals
Salaries and wages	\$ 486,356	\$ 254,693	\$ 420,598	\$ 115,264	\$ 595,334	\$ 454,714	\$ 176,522	\$ 2,503,481	\$ 593,870	\$ 209,701	\$ 3,307,052	\$ 3,798,856
Employee benefits	114,643	78,672	145,203	36,417	200,913	172,079	53,635	801,562	116,944	54,777	973,283	1,105,190
Professional fees	82,016	22,200	82,367	43,983	21,677	170,153	7,732	430,128	71,540	43,664	545,332	572,363
Payroll taxes	43,487	21,456	34,271	9,309	49,079	41,296	15,023	213,921	46,067	16,981	276,969	303,524
	<u>726,502</u>	<u>377,021</u>	<u>682,439</u>	<u>204,973</u>	<u>867,003</u>	<u>838,242</u>	<u>252,912</u>	<u>3,949,092</u>	<u>828,421</u>	<u>325,123</u>	<u>5,102,636</u>	<u>5,779,933</u>
Donated food	-	-	11,428	-	25,545	8,274,854	-	8,311,827	-	-	8,311,827	8,468,739
Other direct	40,527	26,175	32,445	12,337	106,696	214,655	20,675	453,510	131,707	190,342	775,559	786,535
Senior volunteer costs	-	-	-	-	-	-	489,334	489,334	-	-	489,334	496,804
Individual assistance	-	10,000	90,706	-	2,283	318,828	34	421,851	-	-	421,851	622,575
Occupancy	86,993	10,961	59,568	4,359	94,909	143,541	15,262	415,593	43,136	8,729	467,458	475,238
Transportation	26,400	10,111	24,805	2,036	14,622	40,045	3,676	121,695	10,093	2,408	134,196	140,840
	<u>880,422</u>	<u>434,268</u>	<u>901,391</u>	<u>223,705</u>	<u>1,111,058</u>	<u>9,830,165</u>	<u>781,893</u>	<u>14,162,902</u>	<u>1,013,357</u>	<u>526,602</u>	<u>15,702,861</u>	<u>16,770,664</u>
Depreciation	<u>7,300</u>	<u>1,535</u>	<u>10,396</u>	<u>6</u>	<u>16,515</u>	<u>78,948</u>	<u>1,716</u>	<u>116,416</u>	<u>6,422</u>	<u>2,715</u>	<u>125,553</u>	<u>140,279</u>
Total 2018 expenses	<u>\$ 887,722</u>	<u>\$ 435,803</u>	<u>\$ 911,787</u>	<u>\$ 223,711</u>	<u>\$ 1,127,573</u>	<u>\$ 9,909,113</u>	<u>\$ 783,609</u>	<u>\$ 14,279,318</u>	<u>\$ 1,019,779</u>	<u>\$ 529,317</u>	<u>\$ 15,828,414</u>	
Total 2017 expenses	<u>\$ 1,503,267</u>	<u>\$ 515,408</u>	<u>\$ 1,440,169</u>	<u>\$ 148,840</u>	<u>\$ 913,830</u>	<u>\$ 10,067,378</u>	<u>\$ 796,973</u>	<u>\$ 15,385,865</u>	<u>\$ 1,098,308</u>	<u>\$ 426,770</u>		<u>\$ 16,910,943</u>

See accompanying notes to consolidated financial statements

CATHOLIC CHARITIES OF SOUTHWESTERN OHIO AND SUBSIDIARY

Consolidated Statement of Cash Flows

Year Ended December 31, 2018 with Summarized Comparative Totals for Year Ended December 31, 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	\$ 1,618,070	\$ 433,415
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	125,553	140,279
Net realized and unrealized gains on investments	285,255	(570,843)
In-kind donations of food for distribution	(8,036,091)	(8,141,304)
Distribution of food received in-kind	8,274,854	8,408,609
Gain on pension plan	(3,263,272)	-
Donation of property and equipment	775,991	-
Changes in:		
Accounts receivable, net	(26,968)	110,942
Contributions receivable	(47,821)	168,495
Prepaid expenses	(28,145)	7,666
Accounts payable and accrued expenses	(32,952)	(1,300)
Accrued retirement expenses	(117,001)	(135,607)
Net cash provided by (used in) operating activities	<u>(472,527)</u>	<u>420,352</u>
Cash flows from investing activities		
Purchase of property and equipment	(31,358)	(30,866)
Purchase of investments	(76,027)	(880,348)
Proceeds from sale of investments	478,809	754,406
Net cash provided by (used in) investing activities	<u>371,424</u>	<u>(156,808)</u>
Net change in cash and cash equivalents	(101,103)	263,544
Cash and cash equivalents, beginning of year	<u>507,972</u>	<u>244,428</u>
Cash and cash equivalents, end of year	<u>\$ 406,869</u>	<u>\$ 507,972</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.

Language Services coordinates language professionals from the Organization to provide face-to-face interpretation services to non-English speakers or individuals with limited English proficiency to ensure they can access legal, educational, healthcare and other social services.

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.

CATHOLIC CHARITIES OF SOUTHWESTERN OHIO AND SUBSIDIARY

Notes to the Consolidated Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2017 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 two classes of net assets: net assets without donor restrictions, which are available for use in general operations and not subject to donor restrictions; and net assets with donor restrictions, which are either temporary in nature, such as those that will be met by the passage of time or other events specified by the donor, or are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

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 and Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash and cash equivalents. At December 31, 2018 and 2017, cash and cash equivalents consisted primarily of deposits in the Archdiocese of Cincinnati pooled investment fund. The Archdiocese of Cincinnati maintains a cash management system in which certain parishes and related organizations of the Archdiocese of Cincinnati may participate. This money management system is administered by a bank trust department and funds deposited by each participant are swept into a pooled investment fund on a daily basis. The Archdiocese of Cincinnati pooled investment fund consisted of cash, money market funds and long-term securities.

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.

CATHOLIC CHARITIES OF SOUTHWESTERN OHIO AND SUBSIDIARY

Notes to the Consolidated Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2018 and 2017.

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 \$1.68 and \$1.73 per pound in 2018 and 2017, 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 \$1.68 and \$1.73 per pound at December 31, 2018 and 2017, respectively.

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, net of investment expenses.

Interest in trust investments consist of investments in unregistered investment pools, which are not valued upon quoted market prices. The unregistered investment pools invest in various equity and debt securities 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 net assets without donor restrictions. Other investment return is reflected in the statement of activities as net assets without donor restrictions or net assets with donor restrictions 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, 2018 and 2017.

CATHOLIC CHARITIES OF SOUTHWESTERN OHIO AND SUBSIDIARY

Notes to the Consolidated Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donations and Planned Giving

Gifts of cash and other assets received without donor stipulations are reported as revenue without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenues with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 revenue without donor restrictions.

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 revenue with donor restrictions. 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.

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 accounts 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

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Expenses have been classified based upon the actual direct expenditures and cost allocations. The most significant allocations are salaries and related expenses, which are allocated based on an estimate of time spent by personnel on the related activities, and occupancy, which are allocated to programs based on full time equivalents.

CATHOLIC CHARITIES OF SOUTHWESTERN OHIO AND SUBSIDIARY

Notes to the Consolidated Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2018, Catholic Charities of Southwestern Ohio and Subsidiary adopted Financial Accounting Services Board ("FASB") Accounting Standards Update ("ASU") 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The update primarily addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, the lack of consistency in the type of information provided about expenses and investment return, and other financial statement presentation items and enhanced disclosures. Net asset classifications have been reduced from three classes (unrestricted, temporarily restricted and permanently restricted) to two classes (net assets with donor restrictions and net assets without donor restrictions). In addition, updated disclosure requirements are presented regarding risk exposure and availability of cash for short-term use and expenses are reported by both natural and functional classification. Catholic Charities of Southwestern Ohio and Subsidiary adopted ASU 2016-14 as of January 1, 2018 and has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented except for reporting of expenses by both natural and functional classification and disclosing information about liquidity and availability of resources, which is permitted to be omitted for any periods presented before the period of adoption.

New Accounting Standards

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. The standard's core principle is that an organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contract with customers. This standard will be effective for Catholic Charities of Southwestern Ohio and Subsidiary's year ending December 31, 2019.

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating, which will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for Catholic Charities of Southwestern Ohio and Subsidiary's year ending December 31, 2020.

CATHOLIC CHARITIES OF SOUTHWESTERN OHIO AND SUBSIDIARY

Notes to the Consolidated Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Standards (Continued)

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard clarifies and improves current guidance about whether a transfer of assets is a contribution or an exchange transaction. The standard clarifies how an entity determines whether a resource provider is receiving commensurate value in return for the resources transferred. The standard also requires that an entity determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. This standard will be effective for Catholic Charities of Southwestern Ohio and Subsidiary's year ending December 31, 2019.

Catholic Charities of Southwestern Ohio and Subsidiary is evaluating the impact of these ASUs on its financial statements.

Reclassifications

Certain 2017 amounts have been reclassified to conform to the 2018 presentation.

Subsequent Events

The Organization has evaluated subsequent events through July 31, 2019, which is the date the financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follow as of December 31, 2018:

Cash and cash equivalents	\$ 171,182
Accounts receivable, net	503,015
Contributions receivable	792,008
Investments	37,212
	<u>\$ 1,503,417</u>

As part of the Organization's liquidity management, it is policy to maintain financial assets to be available as general expenditures, liabilities and other obligations come due. Any donations in excess of short-term operational requirements are invested in short-term investments that are designated for use pending approval of the Board of Directors. The Board-designated endowment was \$3,866,110 as of December 31, 2018. Although the Organization does not intend to spend for this fund, these amounts could be made available if necessary.

CATHOLIC CHARITIES OF SOUTHWESTERN OHIO AND SUBSIDIARY

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

NOTE 3 CONTRIBUTIONS RECEIVABLE

The Organization has recorded the following contributions receivable at December 31:

	<u>2018</u>	<u>2017</u>
United Way	\$ 611,200	\$ 728,980
Other	<u>180,808</u>	<u>15,207</u>
	<u>\$ 792,008</u>	<u>\$ 744,187</u>

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

NOTE 4 INVESTMENTS AT FAIR VALUE

Investments consisted of the following at December 31:

	<u>2018</u>	<u>2017</u>
Level 1:		
Common stocks	\$ -	\$ 20,154
Level 2:		
Money market funds	16,203	39,603
Interest in The Springfield Foundation Charitable Trust	<u>445,333</u>	<u>481,585</u>
Total Level 2	<u>461,536</u>	<u>521,188</u>
Not subject to fair value hierarchy:		
Interest in Catholic United Investment Trust	<u>3,866,110</u>	<u>4,474,341</u>
	<u>\$ 4,327,646</u>	<u>\$ 5,015,683</u>

The following table provides a reconciliation of investments reported within the statement of financial position that sum to the total of the same such amounts shown in the investments at fair value table above as of December 31:

	<u>2018</u>	<u>2017</u>
Investments	\$ 4,077,646	\$ 4,765,683
Investments restricted by donors for endowment	<u>250,000</u>	<u>250,000</u>
	<u>\$ 4,327,646</u>	<u>\$ 5,015,683</u>

CATHOLIC CHARITIES OF SOUTHWESTERN OHIO AND SUBSIDIARY

Notes to the Consolidated Financial Statements (Continued)

NOTE 4 INVESTMENTS AT FAIR VALUE (CONTINUED)

Fair values for common stocks are estimated by reference to quoted market prices available in an active market. Fair values for money market funds and interest in The Springfield Foundation Charitable Trust are estimated using pricing models or quoted prices of securities with similar characteristics. The Organization holds a portion of its investments in The Springfield Foundation Charitable Trust, which combines the assets for investment and administrative purposes of the Organization and other participating organizations. Net investment income of The Springfield Foundation Charitable Trust (representing interest and dividend income, net investment appreciation or depreciation and trust and administrative fees) is allocated to the participating organizations based on their respective share of The Springfield Foundation Charitable Trust's assets.

Included in the above investments are interests in a trust investment of \$3,866,110 and \$4,474,341 at December 31, 2018 and 2017, respectively, consisting of 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, 2018 and 2017, respectively.

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, 2018 and 2017. The Organization used net asset value per share (NAV) as a practical expedient to determine the fair value of this investment. In accordance with ASU 2015-07, this investment is not required to be categorized using the fair value hierarchy.

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

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
December 31, 2018				
Interest in Catholic United Investment Trust	<u>\$ 3,866,110</u>	<u>\$ -</u>	daily	zero days
December 31, 2017				
Interest in Catholic United Investment Trust	<u>\$ 4,474,341</u>	<u>\$ -</u>	daily	zero days

CATHOLIC CHARITIES OF SOUTHWESTERN OHIO AND SUBSIDIARY

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

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2018</u>	<u>2017</u>
Building	\$ 427,543	\$ 1,771,148
Furniture and fixtures	394,803	394,803
Computer equipment	211,963	206,888
Warehouse equipment	124,600	124,600
Software license fee	71,862	71,862
Building improvements	25,453	25,453
Automobiles	<u>451,412</u>	<u>425,129</u>
	1,707,636	3,019,883
Less accumulated depreciation	<u>(1,075,788)</u>	<u>(1,517,849)</u>
	631,848	1,502,034
Land	<u>70,000</u>	<u>70,000</u>
	<u>\$ 701,848</u>	<u>\$ 1,572,034</u>

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following periods or purposes at December 31:

	<u>2018</u>	<u>2017</u>
For use in future periods	\$ 613,518	\$ 728,980
Restricted as to purpose:		
Other programs	123,560	128,067
SuCasa	112,500	89,396
Gifts of the Magi program	15,322	35,919
Donor-restricted endowment subject to spending policy and appropriation	<u>424,324</u>	<u>454,681</u>
	<u>\$ 1,289,224</u>	<u>\$ 1,437,043</u>

As of December 31, 2018 and 2017, \$250,000 of net assets with donor restrictions are restricted to investment in perpetuity, the income from which is expendable to support counseling and direct assistance to women in poverty.

CATHOLIC CHARITIES OF SOUTHWESTERN OHIO AND SUBSIDIARY

Notes to the Consolidated Financial Statements (Continued)

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the passage of time or other events specified by the donors. Amounts for the years ended December 31 are as follows:

	2018	2017
Expiration of time restrictions	\$ 781,412	\$ 950,472
Satisfaction of purpose restrictions:		
Other programs	130,541	76,267
SuCasa	76,550	39,736
Gifts of the Magi program	20,596	729
Appropriated earnings on donor-restricted endowment	20,000	6,000
	\$ 1,029,099	\$ 1,073,204

NOTE 7 RELATED PARTY

The Organization paid rent and other expenses of \$14,450 and \$13,950 in 2018 and 2017, respectively, to the Archdiocese of Cincinnati. The Organization received \$1,691,895 and \$1,868,755 in 2018 and 2017, respectively, of public support from the Archdiocese of Cincinnati.

NOTE 8 FOOD BANK OPERATIONS

The Organization operates a food bank in Champaign, Clark and Logan counties, the Second Harvest Food Bank (SHFB), 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 in the statement of functional expenses.

The Organization has served food insecure families with respect and compassion since the initial opening of the SHFB in 1981. In order to continue a high level of service in the community, the Organization has agreed to transition its service to become part of the Ohio Tri-County Food Alliance (OTCFA.) This transfer will occur in years 2018 – 2020. The Springfield Building was donated to the OTCFA in October 2018 and leased back to the Organization for \$1 per year. The Organization will continue to operate the SHFB through December 31, 2019. During the two transitional years, the OTCFA will partially fund the Organization's operation of the SHFB. In 2020, once OTCFA is operating the SHFB, the Organization will donate the remaining personal property and trade name to OTCFA and the lease will terminate.

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 contributes 4% of compensation for eligible employees. During 2018 and 2017, contributions expensed by the Organization were \$102,927 and \$101,199, respectively.

CATHOLIC CHARITIES OF SOUTHWESTERN OHIO AND SUBSIDIARY

Notes to the Consolidated Financial Statements (Continued)

NOTE 9 EMPLOYEE BENEFIT PLANS (CONTINUED)

The Organization had a noncontributory, defined benefit pension plan covering substantially all lay employees. Benefits were based upon years of service and the employee's compensation. Normal retirement age was 65, but provision were 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. On December 14, 2017 the plan received a ruling from the Internal Revenue Service in which they concluded that the plan qualifies as a church plan as defined in §414(e) of the Internal Revenue Code (Code). Effective December 31, 2018, the Organization merged the plan with the Lay Employees of the Archdiocese of Cincinnati Pension Plan (LEP Plan). The Organization made a payment of \$200,000 to the LEP Plan to transfer all assets and liabilities of its plan to the LEP Plan.

The measurement dates used for calculating pension obligations were December 31, 2018 and 2017. The accumulated benefit obligation for the pension plan was \$-0- and \$11,736,749 at December 31, 2018 and 2017, respectively.

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

	2018	2017
Changes in benefit obligation:		
Benefit obligation, beginning of year	\$ 11,736,749	\$ 11,407,419
Service cost	-	25,778
Interest cost	399,049	431,665
Actuarial (gain) loss	(348,342)	642,845
Gain on pension settlement	(3,136,207)	-
Settlements	(8,034,645)	-
Benefits paid	(616,604)	(770,958)
Benefit obligation, end of year	\$ -	\$ 11,736,749
Changes in plan assets:		
Fair value of plan assets, beginning of year	\$ 8,356,476	\$ 7,891,539
Actual return on plan assets	94,773	985,895
Employer contributions	200,000	250,000
Settlements	(8,034,645)	-
Benefits paid	(616,604)	(770,958)
Fair value of plan assets, end of year	\$ -	\$ 8,356,476

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

	2018	2017
Projected benefit obligation	\$ -	\$ 11,736,749
Fair value of plan assets	-	8,356,476
Pension liability	\$ -	\$ 3,380,273

CATHOLIC CHARITIES OF SOUTHWESTERN OHIO AND SUBSIDIARY

Notes to the Consolidated Financial Statements (Continued)

NOTE 9 EMPLOYEE BENEFIT PLANS (CONTINUED)

The components of net periodic benefit costs were as follows:

	2018	2017
Service cost	\$ -	\$ 25,778
Interest cost	399,049	431,665
Actual return on plan assets	(94,773)	(985,895)
Net asset gain (loss) amortization and deferral	(221,277)	694,596
	\$ 82,999	\$ 166,144

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

	2018	2017
Level 2:		
Equity securities and mutual funds in pooled separate accounts	\$ -	\$ 4,275,910
Fixed income securities and mutual funds in pooled separate accounts	-	3,459,562
General account	-	621,004
	\$ -	\$ 8,356,476

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, 2018 and 2017.

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:

	2018	2017
Discount rate	3.40%	3.40%
Expected return on plan assets	6.50%	6.50%
Rate of compensation increase	N/A	N/A

The expected long-term rate of return on plan assets assumption of 6.50% 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 that was 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.

CATHOLIC CHARITIES OF SOUTHWESTERN OHIO AND SUBSIDIARY

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

NOTE 9 EMPLOYEE BENEFIT PLANS (CONTINUED)

The overall investment philosophy of the plan through mid-2018 was to manage plan assets in a prudent, conservative yet productive manner. Fiduciaries with any discretionary authority to manage plan assets sought to increase the value of plan assets while recognizing the need to preserve asset value in order to enhance the ability of the plan to meet its obligations to plan participants and their beneficiaries when due. Preservation of capital was of prime importance and within the stated investment objectives for the plan's assets. Risks, including excessive volatility in the value of plan assets, were minimized. Plan assets were managed to achieve stated objectives over a long-term time horizon. Beginning in mid-2018, the principal goal of the investment of the funds was preservation of principal.

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:

2019	\$ 323,822
2020	301,652
2021	250,646
2022	214,648
2023	201,194
After	<u>417,767</u>
	<u>\$ 1,709,729</u>

Total rent expense was approximately \$360,000 and \$355,000 in 2018 and 2017, respectively.

CATHOLIC CHARITIES OF SOUTHWESTERN OHIO AND SUBSIDIARY

Notes to the Consolidated Financial Statements (Continued)

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 endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the original value of donated gifts to the donor-restricted endowment funds and the original value of subsequent gifts are classified as net asset with donor restrictions (a time restriction in perpetuity). Investment return from the donor-restricted endowment funds is classified as net assets with donor restrictions (a purpose restriction) 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.

Investment Policy

The Organization has adopted investment and spending policies for endowment assets that attempt to provide consistent long-term growth of capital, without undue exposure to risk. A secondary focus shall be to achieve annualized total return (net of fees and expenses), through appreciation and income, greater than the rate of inflation plus fund distributions. The return objective shall be accomplished using a strategy of cash equivalents, fixed income securities and equities in a mix which is conducive to participation in rising markets while allowing for protection in falling markets. The performance objectives will be measured against appropriate industry benchmarks such as the S&P 500 Index, Russell 2000 Stock Index, MSCI EAFE Index, and the Barclays US Aggregate Bond 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.

CATHOLIC CHARITIES OF SOUTHWESTERN OHIO AND SUBSIDIARY

Notes to the Consolidated Financial Statements (Continued)

NOTE 11 ENDOWMENT FUNDS (CONTINUED)

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 Net Asset Composition

Endowment net asset composition by type of fund is as follows at December 31:

	<u>2018</u>	<u>2017</u>
Without donor restrictions		
Board-designated endowment	<u>\$ 3,866,110</u>	<u>\$ 4,474,341</u>
With donor restrictions		
Donor-restricted endowment, at historic value, restricted in perpetuity	250,000	250,000
Accumulated net appreciation of donor-restricted endowment	<u>174,324</u>	<u>204,681</u>
Total with donor restrictions	<u>424,324</u>	<u>454,681</u>
Total endowment net assets	<u><u>\$ 4,290,434</u></u>	<u><u>\$ 4,929,022</u></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

Changes in endowment net assets are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
December 31, 2016	\$ 3,831,179	\$ 404,944	\$ 4,236,123
Investment return, net	563,162	55,737	618,899
Contributions	80,000	-	80,000
Appropriated for distribuion	-	(6,000)	(6,000)
December 31, 2017	4,474,341	454,681	4,929,022
Investment return, net	(208,231)	(10,357)	(218,588)
Contributions	-	-	-
Appropriated for distribuion	(400,000)	(20,000)	(420,000)
December 31, 2018	\$ 3,866,110	\$ 424,324	\$ 4,290,434

SUPPLEMENTARY INFORMATION

CATHOLIC CHARITIES OF SOUTHWESTERN OHIO AND SUBSIDIARY

**Consolidating Schedule of Financial Position by Area Office
December 31, 2018**

	<u>Cincinnati</u>	<u>Springfield</u>	<u>Eliminations</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ 366,033	\$ 40,836	\$ -	\$ 406,869
Accounts receivable, net	407,456	95,559	-	503,015
Contributions receivable	670,508	121,500	-	792,008
Prepaid expenses	131,601	5,107	-	136,708
Amounts due from area office	1,881,391	-	(1,881,391)	-
Inventory	-	982,008	-	982,008
Investments	3,888,425	189,221	-	4,077,646
Investments restricted by donors for endowment	-	250,000	-	250,000
Property and equipment, net	274,160	427,688	-	701,848
	<u>\$ 7,619,574</u>	<u>\$ 2,111,919</u>	<u>\$ (1,881,391)</u>	<u>\$ 7,850,102</u>
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued expenses	\$ 407,791	\$ 23,228	\$ -	\$ 431,019
Amounts due to area office	-	1,881,391	(1,881,391)	-
Accrued retirement expenses	-	-	-	-
	<u>407,791</u>	<u>1,904,619</u>	<u>(1,881,391)</u>	<u>431,019</u>
Net Assets				
Without donor restrictions	6,245,883	(116,024)	-	6,129,859
With donor restrictions	965,900	323,324	-	1,289,224
	<u>7,211,783</u>	<u>207,300</u>	<u>-</u>	<u>7,419,083</u>
Total liabilities and net assets	<u>\$ 7,619,574</u>	<u>\$ 2,111,919</u>	<u>\$ (1,881,391)</u>	<u>\$ 7,850,102</u>

See independent auditors' report

CATHOLIC CHARITIES OF SOUTHWESTERN OHIO AND SUBSIDIARY

**Consolidating Schedule of Activities by Area Office
December 31, 2018**

	<u>Cincinnati</u>	<u>Springfield</u>	<u>Total</u>
Revenue, gains and other support			
Donations, grants and planned giving	\$ 2,649,968	\$ 746,243	\$ 3,396,211
United Way	572,489	165,412	737,901
Donated food for distribution	-	8,036,091	8,036,091
Governmental grants and fees	2,020,987	190,861	2,211,848
Program service fees	76,925	161,072	237,997
Investment income, net	160,117	18,090	178,207
Special events	70,710	77,640	148,350
Other revenue and support	402,788	2,816	405,604
	<u>5,953,984</u>	<u>9,398,225</u>	<u>15,352,209</u>
Expenses			
Donated food expense	36,973	8,274,854	8,311,827
Salaries and related expenses	4,326,357	776,279	5,102,636
Other direct	552,265	223,294	775,559
Senior volunteer costs	489,334	-	489,334
Individual assistance	223,797	198,054	421,851
Occupancy	338,917	128,541	467,458
Depreciation	49,108	76,445	125,553
Transportation	116,083	18,113	134,196
	<u>6,132,834</u>	<u>9,695,580</u>	<u>15,828,414</u>
Change in net assets from operations	(178,850)	(297,355)	(476,205)
Non-operating gains (losses):			
Net unrealized gains (losses) on investments	(357,941)	(35,065)	(393,006)
Donation of property and equipment	-	(775,991)	(775,991)
Gain on pension settlement	3,136,207	-	3,136,207
Actuarial gain on pension plan	127,065	-	127,065
	<u>2,726,481</u>	<u>(1,108,411)</u>	<u>1,618,070</u>
Change in net assets	2,726,481	(1,108,411)	1,618,070
Net assets, beginning of year	<u>4,485,302</u>	<u>1,315,711</u>	<u>5,801,013</u>
Net assets, end of year	<u>\$ 7,211,783</u>	<u>\$ 207,300</u>	<u>\$ 7,419,083</u>

See independent auditors' report

CATHOLIC CHARITIES OF SOUTHWESTERN OHIO AND SUBSIDIARY

**Schedule of Expenditures of Federal Awards
Year Ended December 31, 2018**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures	Passed through to Subrecipients
Corporation for National and Community Service:				
Foster Grandparent/Senior Companion Cluster:				
Foster Grandparent Program	94.011	N/A	\$ 306,283	\$ -
Senior Companion Program	94.016	N/A	300,317	-
Total Foster Grandparent/Senior Companion Cluster			606,600	-
Retired and Senior Volunteer Program	94.002	N/A	56,460	-
<i>Passed through Catholic Charities USA</i>				
Americorps National Direct Program	94.006	16NDHVA001	1,145	-
Total Corporation for National and Community Service			664,205	-
Department of Health and Human Services				
<i>Passed through Council on Aging of Southwestern Ohio</i>				
National Family Caregiver Support, Title III, Part E	93.052	N/A	35,821	-
<i>Passed through United States Conference of Catholic Bishops</i>				
Voluntary Agencies Matching Grant Program	93.567	MGCIN18 / MGCIN19	19,855	-
Unaccompanied Children's Services Program	93.676	90ZU0191	93,429	-
Trafficking Victim Assistance Program	93.598	90ZU0121	3,011	-
<i>Passed through Ohio Department of Job and Family Services</i>				
Refugee Social Service Program	93.566	G-1819-17-0595	257,680	-
Refugee Health Promotion Program	93.576	G-1819-17-0447	10,864	-
Refugee Targeted Assistance Program	93.584	G-1819-17-0099	59,803	-
<i>Passed through Lutheran Immigration and Refugee Service</i>				
Foster Care and Safe Release Support Services	93.676	358-18-CCOH-00	97,430	-
Total Department of Health and Human Services			577,893	-
Department of Agriculture				
Food Distribution Cluster:				
<i>Passed through Ohio Department of Job and Family Services</i>				
Commodity Supplemental Food Program	10.565	G-1819-17-0517	83,255	-
<i>Passed through Shared Harvest Foodbank</i>				
Emergency Food Assistance Program Cluster (TEFAP):				
Emergency Food Assistance Program (Administrative Costs)	10.568	N/A	64,038	-
Emergency Food Assistance Program (Food Commodities)	10.569	N/A	2,044,673	931,878
Total Department of Agriculture / Food Distribution Cluster			2,191,966	931,878
Department of State				
<i>Passed through Untied States Conference of Catholic Bishops</i>				
U.S. Refugee Admissions Program	19.510	RPCIN18 / RPCIN19	131,750	-
Total Federal Awards			\$ 3,565,814	\$ 931,878

CATHOLIC CHARITIES OF SOUTHWESTERN OHIO AND SUBSIDIARY

Notes to the Schedule of Expenditures of Federal Awards Year Ended December 31, 2018

NOTE 1 BASIS OF PRESENTATION

The supplementary schedule of expenditures of federal awards includes the federal grant activity of Catholic Charities of Southwestern Ohio and Subsidiary for the year ended December 31, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting in accordance with generally accepted accounting principles. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 INDIRECT COST RATE

Catholic Charities of Southwestern Ohio and Subsidiary has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4 FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of commodities disbursed. For the year ended December 31, 2018, the Organization reported food commodities expended in the amount of \$2,044,673.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Catholic Charities of Southwestern Ohio and Subsidiary (the Organization) (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated July 31, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's consolidated financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(CONTINUED)**

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Barnes, Dennig & Co., Ltd.

Cincinnati, Ohio
July 31, 2019

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited Catholic Charities of Southwestern Ohio and Subsidiary's (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2018. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Program

In our opinion, Catholic Charities of Southwestern Ohio and Subsidiary complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE
(CONTINUED)**

Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the Organization's internal control over compliance with the requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Cincinnati, Ohio
July 31, 2019

CATHOLIC CHARITIES OF SOUTHWESTERN OHIO AND SUBSIDIARY

**Schedule of Findings and Questioned Costs
Year Ended December 31, 2018**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes x No
- Significant deficiency(ies) identified that is not considered to be a material weakness? _____ Yes x None reported
- Noncompliance material to financial statements noted? _____ Yes x No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes x No
- Significant deficiency(ies) identified that are not considered to be a material weakness? _____ Yes x None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with *Title 2 U.S. CFR Section 200.516(a)*? _____ Yes x No

Identification of Major Program

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.565/10.568/10.569	Food Distribution Cluster

Dollar threshold used to distinguish between Type A and Type B programs: _____ \$750,000

Auditee qualified as low-risk auditee _____ Yes x No

Section II – Financial Statement Findings

No matters are reportable

Section III – Federal Award Findings and Questioned Costs

No matters are reportable

CATHOLIC CHARITIES OF SOUTHWESTERN OHIO AND SUBSIDIARY

**Summary Schedule of Prior Audit Findings
Year Ended December 31, 2018**

Reference Number	Summary of Finding	Status
	No matters are reportable	