

CATHOLIC COMMUNITY SERVICES
OF WESTERN WASHINGTON

Financial Statements
for the Year Ended June 30, 2018
(With Comparative Totals for 2017)
and Independent Auditor's Reports

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
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WATSON & McDONELL, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Catholic Community Services of Western Washington
Seattle, Washington

Report on the Financial Statements

We have audited the accompanying financial statements of Catholic Community Services of Western Washington (the Organization), a Washington nonprofit corporation, which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

Auditor's Responsibility, Continued

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Catholic Community Services of Western Washington as of June 30, 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.

Other Matters

Report on Summarized Comparative Information

We have previously audited the Organization's 2017 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated January 4, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying 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*, is presented for purposes of additional analysis and is not a required part of the financial statements. The schedules of financial position by division and activities by division are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 January 18, 2019, 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.

Watson & McDermott, PLLC

January 18, 2019

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
Statement of Financial Position
June 30, 2018
(With Comparative Totals for 2017)

	2018	2017
CURRENT ASSETS		
Cash	\$ 21,614,341	\$ 21,269,231
Accounts receivable, net of allowance for doubtful accounts of \$118,375 and \$61,989 in 2018 and 2017, respectively	19,558,929	16,943,604
Accounts receivable, related parties	1,631,089	1,528,356
Pledges receivable, current portion	483,333	-
Notes receivable, related parties, current portion, net of allowance of \$1,191,739	51,717	379,720
Notes receivable, current portion	43,520	
Prepaid expenses	469,980	376,592
Other current assets	86,458	69,226
TOTAL CURRENT ASSETS	43,939,367	40,566,729
 PROPERTY AND EQUIPMENT		
Land	6,644,536	6,368,192
Building and equipment, net of accumulated depreciation of \$13,161,207 and \$11,983,366 in 2018 and 2017, respectively	27,457,725	23,622,280
TOTAL PROPERTY AND EQUIPMENT	34,102,261	29,990,472
 OTHER ASSETS		
Pledges receivable, net of current portion	631,197	328,287
Notes receivable, related parties, net of current portion and allowance for doubtful accounts of \$1,564,069	2,844,829	2,641,221
Lease receivable	1,014,319	900,633
Cash, maintenance reserve account	194,098	372,994
Investments	1,434,072	1,434,246
Accounts receivable, endowment funds held by related party	229,951	234,579
TOTAL OTHER ASSETS	6,348,466	5,911,960
TOTAL ASSETS	\$ 84,390,094	\$ 76,469,161

The accompanying notes should be read with these financial statements.

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
Statement of Financial Position, Continued
June 30, 2018
(With Comparative Totals for 2017)

	2018	2017
CURRENT LIABILITIES		
Accounts payable	\$ 2,409,657	\$ 1,966,552
Accounts payable, related parties	938,879	811,642
Accrued payroll and related expenses	8,451,084	7,345,847
Notes payable, current portion	2,131,384	386,429
Refundable deposits	508,718	523,234
Accrued liabilities	329,797	335,072
Deferred revenue	1,125,475	2,583,541
Funds held in trust	85,221	67,322
TOTAL CURRENT LIABILITIES	15,980,215	14,019,639
 LONG-TERM LIABILITIES		
Notes payable, net of current portion	15,068,857	14,243,443
Line of credit, related party	174,382	198,875
Deferred lease revenue, long-term	1,348,223	1,371,612
TOTAL LONG-TERM LIABILITIES	16,591,462	15,813,930
TOTAL LIABILITIES	32,571,677	29,833,569
 NET ASSETS		
Unrestricted net assets	44,996,102	41,544,578
Temporarily restricted net assets	6,624,576	4,893,275
Permanently restricted net assets	197,739	197,739
TOTAL NET ASSETS	51,818,417	46,635,592
TOTAL LIABILITIES AND NET ASSETS	\$ 84,390,094	\$ 76,469,161

The accompanying notes should be read with these financial statements.

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
Statement of Activities
For the Year Ended June 30, 2018
(With Comparative Totals for 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018	2017
Support and revenue:					
Fees and grants from governmental agencies	\$ 139,638,559			\$ 139,638,559	\$ 125,132,647
Contributions	13,087,694	3,799,516		16,887,210	14,478,980
Contributions, United Way:					
Allocations	632,751			632,751	771,087
Donor-designated	233,960			233,960	205,686
Legacies and bequests	1,307,305			1,307,305	375,828
Special events, net of expenses of \$166,709 and \$224,276 in 2018 and 2017, respectively	8,086			8,086	40,717
Fees and other income:					
Development and management fees	426,312			426,312	582,816
Training fees	3,539,053			3,539,053	3,264,125
Private program service fees	9,651,668			9,651,668	9,319,334
Investment income	432,094	10,448		442,542	380,891
Rental income and fees	616,514			616,514	814,430
Miscellaneous revenue	168,953			168,953	472,869
Net assets released from restrictions	<u>2,078,663</u>	<u>(2,078,663)</u>			
	<u>171,821,612</u>	<u>1,731,301</u>		<u>173,552,913</u>	<u>155,839,410</u>
Expenses and losses:					
Program services	155,609,009			155,609,009	140,567,166
Management and general	11,577,731			11,577,731	10,978,047
Fundraising	<u>1,183,348</u>			<u>1,183,348</u>	<u>1,289,656</u>
Total expenses and losses	<u>168,370,088</u>			<u>168,370,088</u>	<u>152,834,869</u>
Change in net assets	3,451,524	1,731,301		5,182,825	3,004,541
Net assets, beginning of year	<u>41,544,578</u>	<u>4,893,275</u>	<u>\$ 197,739</u>	<u>46,635,592</u>	<u>43,631,051</u>
Net assets, end of year	<u>\$ 44,996,102</u>	<u>\$ 6,624,576</u>	<u>\$ 197,739</u>	<u>\$ 51,818,417</u>	<u>\$ 46,635,592</u>

The accompanying notes should be read with these financial statements.

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
Statement of Functional Expenses
For the Year Ended June 30, 2018
(With Comparative Totals for 2017)

	Program Services	Management and General	Fundraising	Total 2018	Total 2017
Salaries and related payroll expenses	\$ 115,857,981	\$ 8,733,395	\$ 644,461	\$ 125,235,837	\$ 112,815,764
Professional fees and contract service payments	3,293,413	757,491	61,257	4,112,161	4,335,296
Supplies	2,996,989	117,956	17,511	3,132,456	2,732,928
Telephone	1,033,853	91,488	5,790	1,131,131	992,590
Postage	97,168	41,680	35,896	174,744	206,145
Occupancy	4,369,317	431,514	37,472	4,838,303	4,102,018
Equipment rental and maintenance	624,220	219,036	14,252	857,508	875,839
Printing and advertisement	324,887	56,538	284,023	665,448	630,578
Travel	778,165	61,452	1,564	841,181	828,155
Conferences	487,630	16,063	403	504,096	423,603
Contributions, grants and specific assistance/foster care payments	20,319,216	56,964		20,376,180	18,934,063
Dues and fees	107,831	143,750	142	251,723	269,181
Taxes and insurance	276,086	447,008	4,206	727,300	691,077
Interest and bank charges	167,053	31,694	35,718	234,465	184,250
Bad debts	347,207			347,207	239,743
In-kind expenses	3,151,765			3,151,765	2,893,672
Miscellaneous	75,670	254,801	39,629	370,100	424,175
Total expenses before depreciation	154,308,451	11,460,830	1,182,324	166,951,605	151,579,077
Depreciation	1,300,558	116,901	1,024	1,418,483	1,255,792
	<u>\$ 155,609,009</u>	<u>\$ 11,577,731</u>	<u>\$ 1,183,348</u>	<u>\$ 168,370,088</u>	<u>\$ 152,834,869</u>

The accompanying notes should be read with these financial statements.

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
Statement of Cash Flows
For the Year Ended June 30, 2018
(With Comparative Totals for 2017)

CASH FLOWS FROM OPERATING ACTIVITIES	2018	2017
Increase (decrease) in net assets	\$ 5,182,825	\$ 3,004,541
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Unrealized loss on notes receivable		202,808
Depreciation	1,418,483	1,255,792
(Gain) loss on sale of assets	(278)	(321,827)
Net (gain) loss on equity method investments	174	78
(Increase) decrease in accounts receivable	(2,615,325)	(2,001,248)
(Increase) decrease in accounts receivable, related parties	(102,733)	(208,213)
(Increase) decrease in pledges receivable	(786,243)	1,297,117
(Increase) decrease in prepaid expenses	(93,388)	13,153
(Increase) decrease in other current assets	(17,232)	(23,057)
(Increase) decrease in lease receivable	(113,686)	(105,018)
Increase (decrease) in accounts payable	443,105	(578,839)
Increase (decrease) in accounts payable, related parties	127,237	(83,482)
Increase (decrease) in accrued payroll and related expenses	1,105,237	881,321
Increase (decrease) in other accrued liabilities	(1,892)	38,059
Increase (decrease) in deferred revenue	(1,481,455)	1,308,693
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 3,064,829	 4,679,878
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(5,529,994)	(1,718,322)
Sale of property and equipment		901,842
(Increase) decrease in notes receivable, related parties, net	89,662	(217,340)
Funding of notes receivable, net	(53,520)	(423,939)
Payments received on notes receivable, net	44,733	80,043
(Deposits to) appropriations from cash, endowment fund	4,628	42,791
(Deposits to) withdrawals from cash, maintenance reserve account	178,896	(62,306)
 NET CASH USED BY INVESTING ACTIVITIES	 (5,265,595)	 (1,397,231)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	(189,631)	(327,554)
Proceeds from (payments on) line of credit (net)	(24,493)	(25,270)
Proceeds from notes payable	2,760,000	1,226,770
 NET CASH PROVIDED BY FINANCING ACTIVITIES	 2,545,876	 873,946
 INCREASE (DECREASE) IN CASH	 345,110	 4,156,593
CASH AT BEGINNING OF YEAR	21,269,231	17,112,638
CASH AT END OF YEAR	\$ 21,614,341	\$ 21,269,231
 SUPPLEMENTAL DISCLOSURES		
Forgiveness of notes payable		\$ 210,000
Interest paid	\$ 98,308	\$ 114,029

The accompanying notes should be read with these financial statements.

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON

Notes to Financial Statements
For the Year Ended June 30, 2018

NOTE 1 - PURPOSE AND ORGANIZATION OF THE AGENCY

Catholic Community Services of Western Washington (CCS or the Organization) was incorporated as a Washington nonprofit corporation during 1988. The purpose of CCS is to minister to the needs of individuals, families, and groups in western Washington who are poor, troubled or otherwise in need, with a broad range of interrelated services. Through CCS, the Roman Catholic Church in Western Washington seeks to demonstrate its caring and compassion by serving those in need. Such needs are met by professionals, trained volunteers, and lay helpers working in partnership to provide direct social services, advocacy on behalf of individuals, and empowerment of local community groups. To accomplish this objective, special purpose programs have been designed to meet the physical, emotional, and spiritual needs of the community. Service and Area Divisions operate social service programs at a number of locations under various names.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements include the activity of the Governance Office (Western Washington) and the following Service and Area Divisions of CCS: Catholic Community Services King County (King County), Catholic Community Services Southwest (Southwest), the Long-Term Care System (Long-Term Care) and Catholic Community Services Northwest (Northwest). All material interdivision transactions have been eliminated.

Basis of financial presentation

In accordance with accounting principles generally accepted in the United States of America, the Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Comparative financial information

The 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 June 30, 2017, from which the summarized information was derived.

Cash and cash equivalents

CCS considers all highly liquid investments with a maturity date of three months or less at date of purchase to be cash equivalents. There were no cash equivalents at year end.

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
Notes to Financial Statements
For the Year Ended June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Cash and cash equivalents, continued

At times, cash deposits, including amounts held in reserves, exceed the federally insured limits of the financial institution and expose the Organization to credit risk. At June 30, 2018, the Organization's deposits exceeded the federally insured limits by approximately \$23 million. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts receivable - endowment funds held by related party

CCS has received donations to establish permanent endowment funds to primarily provide program services. Terms of the donations require the funds to be segregated from other organization funds. CCS has transferred the endowment funds to The Catholic Charities Foundation (CCF) to hold as restricted funds in trust for CCS.

Accounts receivable

Accounts receivable consists primarily of fees to be collected from third party payors and private-pay payors under various sliding fee schedules. Accounts receivable from third-party payors are adjusted to the amount expected to be collected from the third-party payor. Any subsequent adjustment to the actual amount collected is recorded as a direct reduction of revenue. Other accounts receivable and contributions receivable are valued based on management's estimate of expected losses due to uncollectibility of account balances by recording an allowance for doubtful accounts.

Property and equipment

Land, building and equipment are recorded at cost for items purchased and at estimated fair market value for items donated. Depreciation is computed based on this cost less salvage value. Salvage value for buildings and improvements is evaluated individually by management based on prior experience and in total is approximately 18 percent of historical cost. In accordance with the capitalization policy, acquisitions of individual items costing \$2,500 or less are expensed in the year of acquisition.

Property, equipment and accumulated depreciation at June 30, 2018, are as follows:

Buildings and improvements	\$ 31,753,261
Furniture and equipment	3,980,471
Leasehold improvements	2,974,560
Construction in progress	<u>1,910,640</u>
	40,618,932
Less accumulated depreciation	<u>(13,161,207)</u>
	<u>\$ 27,457,725</u>

CCS reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. No impairment losses were recognized in 2018.

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
Notes to Financial Statements
For the Year Ended June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Property and equipment, continued

Depreciation is calculated on the straight-line basis over the following estimated useful lives:

Buildings	30 - 40 years
Building improvements	5 - 31 years
Furniture and equipment	3 - 10 years
Leasehold improvements	3 - 15 years

Deferred revenue

Amounts received in advance for services to be provided in the future are recorded as deferred revenue. Amounts deferred are recognized as earned revenue as services are provided.

Restricted and unrestricted revenue and support

Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the restriction. When a restriction expires, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated services, materials and facilities

Donations of property, materials and services are recorded as support at their estimated fair values at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Donated use of facilities is recognized at the fair value of rents (Note 13).

Cost reimbursement grants

Revenues under cost-reimbursement type contracts are recognized at the time the related costs are recognized.

Estimates and assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

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 activities.

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
Notes to Financial Statements
For the Year Ended June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Reclassifications

Certain prior year amounts have been reclassified for consistency with current year presentation.

NOTE 3 - FEDERAL INCOME TAX

CCS is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. CCS is not a private foundation as defined in Internal Revenue Code Section 509(a). The Organization's tax filings are subject to examination by various taxing authorities.

CCS has evaluated its tax positions and concluded that it has taken no uncertain tax positions that would require material adjustment to the financial statements. In addition, management is not aware of any matters that would cause the loss of its tax-exempt status.

NOTE 4 - INVESTMENTS

CCS has investments that are accounted for under the equity method and are as follows:

<u>Division</u>	<u>Related Entity</u>	<u>Investment</u>	<u>Interest</u>
Southwest	Devoe Housing LLC	\$ 99,927	.01%
Southwest	Devoe II Housing LLC	200,000	.01%
Southwest	Nativity House Apartments, LLC	767	.01%
Southwest	Tacoma G Street Family Housing, LLC	(117)	.01%
Governance	Monica Village Place I Housing LLC	783,495	.01%
Governance	Catholic Charities Foundation	<u>350,000</u>	0%
	Total investments	<u>\$ 1,434,072</u>	

As of December 31, 2017, the total assets and total liabilities of the limited liability companies that CCS has an investment in were \$42,612,049 and \$16,007,143, respectively. Total net loss was \$1,074,118 for the year ended December 31, 2017.

CCS transferred \$350,000 to CCF and specified itself as the beneficiary. CCF holds and invests the funds and has no variance power over the funds.

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON

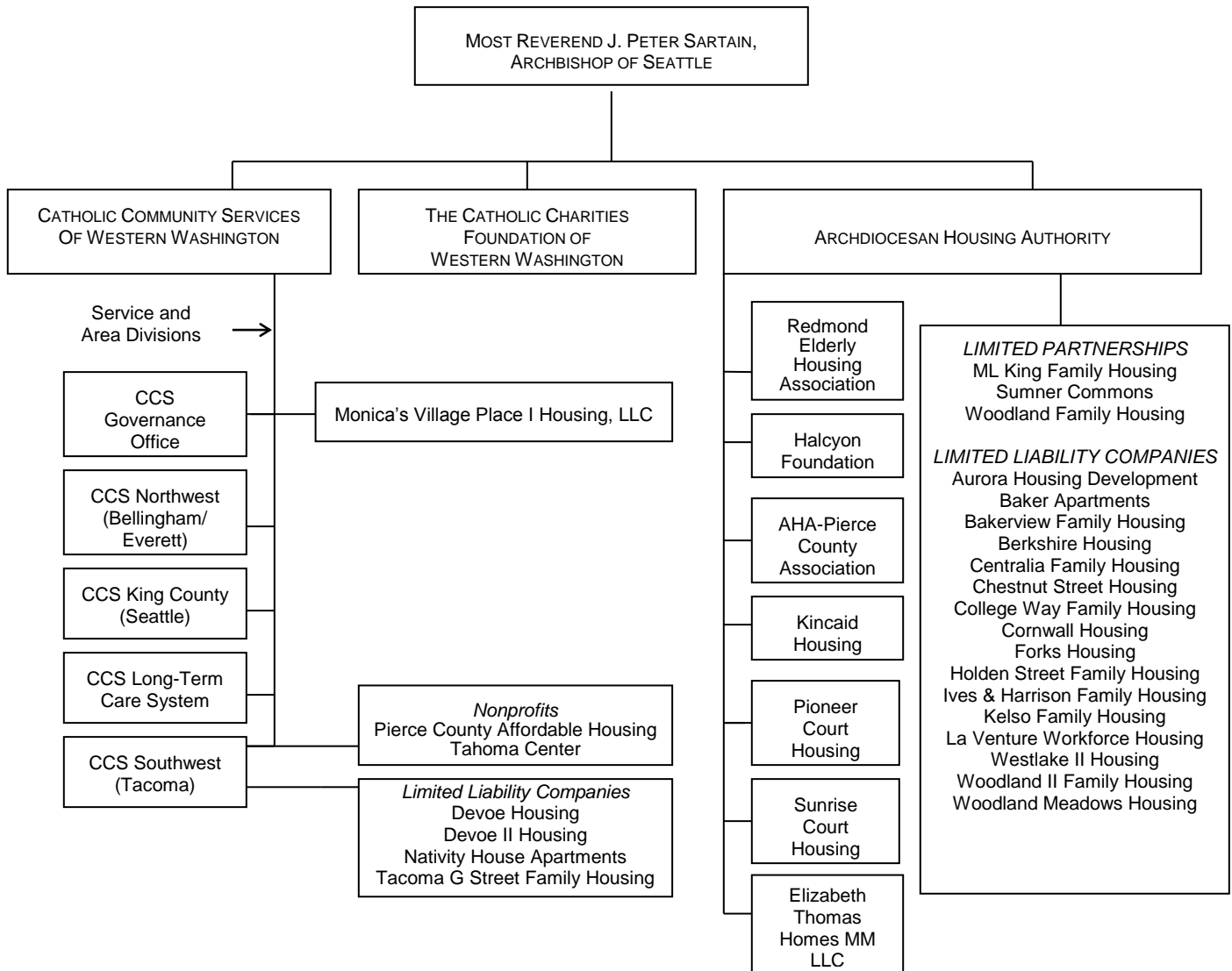
Notes to Financial Statements

For the Year Ended June 30, 2018

NOTE 5 - RELATED PARTY TRANSACTIONS

CCS, The Catholic Charities Foundation of Western Washington (CCF), the Corporation of the Catholic Archbishop of Seattle (CCAS) and Archdiocesan Housing Authority (AHA) are related organizations, as the Archbishop of Seattle is the corporation sole of CCAS and the only member of CCS, CCF and AHA. As the only member, the Archbishop of Seattle has the power to appoint or remove any member of the Board of Trustees. In addition, certain transactions require the approval of the Archbishop of Seattle. Other entities identified in the diagram are related parties through an interest owned by CCS or AHA, or the Archbishop of Seattle has a fixed number of seats on these boards.

The following diagram sets forth the relationship of the various divisions of CCS and certain organizations:



CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
Notes to Financial Statements
For the Year Ended June 30, 2018

NOTE 5 - RELATED PARTY TRANSACTIONS, CONTINUED

Transactions with related parties included in revenue are as follows:

CCAS	Contributions	\$ 656,004
CCF	Contributions	500,000
AHA	Management fees	226,214
AHA	Rental income and fees	450,623
AHA	Fees and grants	<u>20,870</u>
		<u>\$ 1,853,711</u>

In addition, CCS earned fees as managing member of the following entities:

Monica Village Place I Housing LLC	\$ 10,000
Devoe Housing LLC	25,519
Devoe II Housing LLC management fee	44,356
Nativity House Apartments, LLC	52,780
Tacoma G Street Family Housing, LLC	<u>58,586</u>
	<u>\$ 191,241</u>

Included in occupancy expense are the following transactions with related parties:

AHA	\$ 215,414
Tahoma Center Association	<u>246,577</u>
	<u>\$ 461,991</u>

During the year ended June 30, 2018, CCS purchased a portion of the Washington Grocery Building from AHA for \$2.1 million based on an independent appraisal. In addition, CCS made a grant to AHA for \$1,239,869 during the year ended June 30, 2018.

At June 30, 2018, non-interest bearing accounts receivable from related parties were as follows:

Catholic Charities Foundation	\$ 1,053,982
AHA	139,022
Nativity House Apartments, LLC	178,994
Tahoma Center	111
Devoe Housing LLC	170,342
Devoe II	49,115
Tacoma G Street Family Housing LLC	16,500
Pierce County Affordable Housing Association	<u>23,023</u>
	<u>\$ 1,631,089</u>

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
Notes to Financial Statements
For the Year Ended June 30, 2018

NOTE 5 - RELATED PARTY TRANSACTIONS, CONTINUED

Notes and lease receivable are described in Notes 6 and 7 respectively below. These receivables have not been discounted as the amount of the discount is not material to the financial statements.

At June 30, 2018, non-interest bearing accounts payable to related parties were as follows:

AHA		\$ 154,425
CCAS		779,586
Other		<u>4,868</u>
		<u>\$ 938,879</u>

Notes and loans payable to related parties are described in Note 8.

NOTE 6 - NOTES RECEIVABLE

CCS provided financing to the following related parties. All such financing is collateralized by a deed of trust on the property owned by the related party.

AHA

AHA owes CCS \$221,892 on a note receivable, dated September 1, 1998. Annual payments of principal plus interest at 6 percent are payable subject to available net cash flow through April 30, 2040. Accrued interest at June 30, 2018, was \$382,295. The note is collateralized by Dorothy Day House. \$ 604,187

AHA owes CCS \$440,849 on a note receivable, dated April 2, 1998. Annual payments of principal plus interest at 6 percent are payable subject to available net cash flow through April 30, 2023. Accrued interest at June 30, 2018, was \$536,760. The note is collateralized by the Highland and Tucker Apartments. 977,609

AHA owes CCS \$171,143 on a note, dated July 1, 1998. Annual payments of principal plus interest at 6 percent are payable subject to available net cash flow through April 30, 2023. Accrued interest at June 30, 2018, was \$187,314. The note is collateralized by La Casa del Padre Miguel. 358,457

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
Notes to Financial Statements
For the Year Ended June 30, 2018

NOTE 6 - NOTES RECEIVABLE, CONTINUED

AHA, continued

AHA owes CCS \$296,643 on a note receivable, dated October 15, 1998. Annual payments of principal plus interest at 6 percent are due from the lesser of available net cash flow or \$24,072 through April 30, 2019. Accrued interest at June 30, 2018, was \$555,186. The note is collateralized by the Mount Baker Apartments. \$ 851,829

AHA owes CCS \$180,686 on a note dated March 10, 1998. Annual payments of principal plus interest at 6 percent are payable subject to available net cash flow through June 30, 2019. Accrued interest at June 30, 2018, was \$158,324. The note is collateralized by the Washington Grocery Building. 339,910

Sumner Commons Housing Limited Partnership

Sumner Commons Housing Limited Partnership owes CCS \$51,000 on a note receivable, dated August 20, 2004. Annual payments of \$2,550 for interest only at 5 percent are due through August 20, 2034. Accrued interest at June 30, 2018, was \$6,375. 57,375

Tacoma G Street LLC

Tacoma G Street LLC owes the Southwest division of CCS on a note receivable dated December 29, 2008. Payments are subject to available cash flow. The note is non-interest bearing and is due December 31, 2050. 202,000

Tacoma G Street LLC owes the Southwest division of CCS \$760,000 on a note receivable dated December 29, 2008. Annual payments of principal and interest at the rate of 7 percent are payable subject to available cash flow through December 31, 2050. Accrued interest at June 30, 2018, was \$686,687. 1,446,687

Tahoma Center Association

Tahoma Center Association owes the Southwest division of CCS on a note receivable, revised January 27, 2006. Monthly principal payments of \$3,511 for principal plus interest at the 6-month LIBOR plus 2 percent are required through December 31, 2019. The interest rate at June 30, 2018, was 4.50 percent. 153,891

Total collateralized notes receivable from related parties 4,991,945

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON

Notes to Financial Statements
For the Year Ended June 30, 2018

NOTE 6 - NOTES RECEIVABLE, CONTINUED

CCS has unsecured notes receivable from the following related parties:

AHA

The note is non-interest bearing and due on demand. \$ 202,808

Monica Village Place I, LLC

Monica Village Place I, LLC owes CCS for development services on a note dated October 15, 2007. Payments are from investor member's capital contributions and available cash flow. The note is non-interest bearing. 205,884

Devoe II Housing LLC

Devoe II Housing LLC owes CCS for development services on a note dated April 5, 2016. Payments are from investor member's capital contributions and available cash flow. The note is non-interest bearing. 241,717

Washington Housing Equity Alliance

Washington Housing Equity Alliance owes CCS on a note receivable dated May 23, 2013. The note is due on demand and bears interest at 4.5 percent. 10,000

Total unsecured notes receivable from related parties 660,409

CCS has the following unsecured note receivable:

Survival of American Indians Association

Survival of American Indians Association owes CCS on a note receivable dated January 26, 2018. The note is non-interest bearing and due at maturity in February, 2019. 43,520

Total notes receivable	5,695,874
Less current portion	(95,237)
Less allowance for unrealized losses	<u>(2,755,808)</u>
Long-term portion	<u>\$ 2,844,829</u>

Notes receivable are evaluated individually for impairment and collectability. A note is considered impaired when, based on currently available information, it is probable that CCS will not collect all of the principal and interest contractually required by the terms of the note receivable. The allowance for unrealized losses was \$2,755,808 as of June 30, 2018. The provision relates to the

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON

Notes to Financial Statements

For the Year Ended June 30, 2018

NOTE 6 - NOTES RECEIVABLE, CONTINUED

secured notes from AHA for Dorothy Day House, Highland and Tucker Apartments, La Casa del Padre Miguel, Mount Baker Apartments and the unsecured note from AHA. When a note is impaired, interest continues to accrue until management determines the note is uncollectable. Management considers the credit quality of all impaired notes to be doubtful. Management considers all unimpaired notes receivable to have an acceptable credit quality at June 30, 2018. Each unimpaired note is performing in accordance to its terms.

NOTE 7 - LEASE RECEIVABLE

The Western Washington division of CCS leases the land on which the Josephinum Apartments are located to AHA under a 40-year ground lease effective December 29, 1989. The lease has a 10-year renewal option. Rent is payable by AHA to the extent of 10 percent of its surplus cash on December 31 of each year. Unpaid rents accrue interest at 8.09 percent. Accrued rents are due in full not later than the 10th anniversary of the date it was accrued. The lease provides that at termination, the title to the improvements on the land will transfer to Western Washington. The annual rent is \$15,000. At June 30, 2018, rent and interest receivable totaled \$1,305,675. A reserve of \$291,356 has been recorded, resulting in a net receivable of \$1,014,319.

NOTE 8 - NOTES PAYABLE

The following notes and loans payable are nonrecourse and collateralized by the property owned by the identified entity.

Installment notes payable

Randolph Carter Center and Kent Family Center

On October 29, 2001, Bank of America loaned \$1,118,436 to the King County Division of CCS. On May 31, 2012, the King County Division of CCS refinanced the loan with Bank of America. The new loan of \$1,070,238 requires monthly fixed principal payments of \$4,459 plus interest at the BBA LIBOR Daily Floating Rate plus 2.25 percent through maturity at June 1, 2019. The interest rate at June 30, 2018, was 3.42 percent. The loan is collateralized by land and building with a carrying value of \$324,822 and \$688,489, respectively.

\$ 749,166

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
Notes to Financial Statements
For the Year Ended June 30, 2018

NOTE 8 - NOTES PAYABLE, CONTINUED

Installment notes payable, continued

Oak View Place

On July 28, 2004, Bank of America loaned the Southwest Division of CCS \$1,350,000. On May 31, 2012, the Southwest Division of CCS refinanced the loan with Bank of America. The new loan of \$1,080,834 requires monthly fixed principal payments of \$4,503 plus interest at the BBA LIBOR Daily Floating Rate plus 2.25 percent through maturity at June 1, 2019. The interest rate at June 30, 2018, was 4.18 percent. The loan is collateralized by land and building with a carrying value of \$395,000 and \$971,858, respectively.

\$ 761,087

Bellingham Office

The Bank of America loaned \$932,000 to the Northwest Division of CCS. The loan, dated March 29, 2010 and amended March 25, 2015, requires monthly fixed principal payments of \$3,883 plus interest at the BBA LIBOR Adjusted Periodically Rate plus 2.25 percent through maturity at April 1, 2022. The interest rate at June 30, 2018 is 3.98 percent. The loan is collateralized by property with a carrying value of \$419,400 and \$590,267, respectively.

555,317

Condominium at Washington Grocery Building

CCF loaned \$2,100,000 to the Northwest Division of CCS dated May 31, 2018. The loan bears interest at 5 percent and requires monthly fixed principal and interest payments of \$12,276 through May 2043. The loan is collateralized by a deed of trust and assignment of rents.

2,096,474

Vancouver Office Building

CCF loaned \$640,000 to the Southwest Division of CCS dated January 15, 2018. The loan bears interest at 5 percent and requires monthly fixed principal payments and interest payments of \$3,741 through January 2043. The loan is collateralized by property with a carrying value of \$276,344 and \$381,733, respectively.

636,945

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON

Notes to Financial Statements
For the Year Ended June 30, 2018

NOTE 8 - NOTES PAYABLE, CONTINUED

Installment notes payable, continued

Phoenix Housing Network Building

The Bank of America loaned \$668,000 to the Southwest Division of CCS. The loan, dated November 15, 2013, requires monthly principal payments of \$2,783 plus interest at 12 months LIBOR plus 1.75 percent through December 1, 2018. The loan was paid in full in December 2018. The interest rate at June 30, 2018, was 4.32 percent. The loan is collateralized by property with a carrying value of \$172,439 and \$1,068,421, respectively.

\$ 517,700

Total installment notes payable

5,316,689

Forgivable notes and loans

The following notes and loans are non-interest bearing and will be forgiven on the maturity date if compliance with the conditions of the respective loan agreement has been maintained:

Katherine House

The State of Washington loaned \$285,000 to the King County Division of CCS for the construction of the property. The loan, dated January 1, 2001, matures on December 31, 2051.

285,000

The Department of Housing and Community Development loaned \$334,215 to the King County Division of CCS for the construction of the property. The loan, dated October 27, 2000, matures on June 1, 2036.

334,215

The loans are collateralized by land and building with a carrying value of \$73,464 and \$326,363, respectively.

Benedict House

The State of Washington, Department of Commerce loaned \$835,000 to the Southwest Division of CCS for the construction of the property. The loan, dated February 16, 2005, matures on December 31, 2045. The loan is collateralized by land and building with a carrying value of \$45,000 and \$1,021,862, respectively.

835,000

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
Notes to Financial Statements
For the Year Ended June 30, 2018

NOTE 8 - NOTES PAYABLE, CONTINUED

Forgivable notes and loans, continued

Drexel House

The State of Washington, Department of Commerce loaned \$530,000 to the Southwest Division of CCS for the construction of the property. The loan, dated April 20, 2006, matures on December 31, 2046. The loan is collateralized by land and building with a carrying value of \$351,350 and \$1,377,754 respectively. \$ 530,000

Tacoma G Street

The Pierce County Department of Community Services loaned \$202,000 to the Southwest Division of CCS for the construction of the property. The loan, dated December 12, 2008, matures on December 31, 2038. The loan is collateralized by the land and building of Tacoma G Street Family Housing LLC with a carrying value of \$633,179 and \$8,222,705, respectively. 202,000

Rita House

King County Department of Community and Human Services loaned \$100,000 to the King County Division of CCS for the rehabilitation of the property. The loan dated December 31, 2008, matures on December 31, 2028. The loan is collateralized by land and building with a carrying value of \$58,371 and \$28,074, respectively. 100,000

Bridges Village

On February 27, 2014, the Southwest Division of CCS assumed responsibility for a loan from the Washington State Department of Commerce. The loan, dated October 23, 2007, matures on February 29, 2048. 185,101

Pierce County Department of Community Connections loaned the Southwest Division of CCS \$393,196. The loan matures on February 1, 2044. 393,196

On March 26, 2014, Pierce County Department of Community Connections loaned \$73,662 to the Southwest Division of CCS. The loan matures on November 6, 2043. 73,662

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
Notes to Financial Statements
For the Year Ended June 30, 2018

NOTE 8 - NOTES PAYABLE, CONTINUED

Forgivable notes and loans, continued

On March 26, 2014, Pierce County Department of Community Connections loaned \$18,416 to the Southwest Division of CCS. The loan matures on October 27, 2043. \$ 18,416

Tacoma Community Redevelopment Authority loaned the Southwest Division of CCS funds beginning March 18, 2014. The loan matures on March 18, 2034. 411,535

The loans are collateralized by land and building with a carrying value of \$226,607 and \$601,067, respectively.

Filbert Road

Snohomish County loaned the Northwest Division of CCS funds beginning July 22, 2015. The loan matures on June 30, 2057. 2,568,915

Washington State Department of Commerce loaned the Northwest Division of CCS funds beginning June 18, 2015. The loan matures on August 31, 2057. 1,500,000

The loans are collateralized by land and building with a carrying value of \$286,333 and \$3,783,516, respectively.

Nativity House

Washington State Department of Commerce loaned the Southwest Division of CCS funds beginning March 18, 2014. The loan matures on November 30, 2054. 2,500,000

Pierce County Department of Community Connections loaned the Southwest Division of CCS \$606,612 for the development of the New Nativity House shelter. The loan matures December 13, 2043. 606,612

Tacoma Community Redevelopment Authority loaned the Southwest Division of CCS \$789,900 for the acquisition and development of the New Nativity House shelter. The loan, dated April 29, 2013, matures on April 29, 2053. 789,900

These loans are collateralized by land and a building with a carrying value of \$244,609 and \$5,749,607, respectively.

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON

Notes to Financial Statements

For the Year Ended June 30, 2018

NOTE 8 - NOTES PAYABLE, CONTINUED

Forgivable notes and loans, continued

Devoe II Housing

Thurston County has agreed to provide funding of \$200,000 to the Southwest Division of CCS for the construction of this property. The loan matures May 31, 2037. The loan is collateralized by construction in progress with a carrying value of \$2,597,959.

\$ 200,000

Total forgivable notes and loans

11,533,552

Deferred payment loans

Drexel

The City of Olympia loaned \$350,000 to the Southwest Division of CCS for the acquisition of land. The loan, dated July 30, 2004, is non-interest bearing and is due on sale or a change in use of the property. The loan is collateralized by the land and building with a carrying value of \$351,350 and \$1,377,754 respectively.

350,000

Total deferred payment loans

350,000

Total notes payable

17,200,241

Less current portion

(2,131,384)

Long-term portion

\$ 15,068,857

Summary of notes payable

Principal payments on notes payable for the next five years and thereafter are as follows:

	<u>Payable</u>	<u>Deferred/ Forgivable</u>	<u>Total</u>
2019	\$ 2,131,384		\$ 2,131,384
2020	106,254		106,254
2021	109,390		109,390
2022	481,521		481,521
2023	68,807		68,807
Thereafter	<u>2,419,333</u>	<u>\$ 11,883,552</u>	<u>14,302,885</u>
Total	<u>\$ 5,316,689</u>	<u>\$ 11,883,552</u>	<u>\$ 17,200,241</u>

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
Notes to Financial Statements
For the Year Ended June 30, 2018

NOTE 9 - DEFERRED LEASE REVENUE

CCS has leased land to Monica’s Village Place I Housing, LLC. The lease is accounted for as an operating lease. The initial lease term is through December 31, 2085, with an option to extend the term for 25 years to December 31, 2110. The rent for the first 61 years and nine months was prepaid and is presented in the financial statements as deferred revenue. The annual rent revenue was \$20,389 with current and long-term deferred lease revenue of \$20,389 and \$1,067,314, respectively, at June 30, 2018.

CCS has leased land to Cornwall Housing LLC (Cornwall). The lease is accounted for as a direct-financing capital lease. Cornwall has prepaid the entire lease. CCS has recorded deferred lease revenue equal to the present value of future minimum lease payments. The annual rent revenue was \$3,957 with current and long-term deferred lease revenue of \$3,957 and \$280,909, respectively at June 30, 2018.

NOTE 10 - LINES OF CREDIT

CCS has a \$2,500,000 line of credit agreement with a bank. The credit line is available until April 1, 2019. The interest rate varies with the LIBOR daily floating rate plus 1.5 percent. The line of credit is shared by all divisions of CCS. Receivables and bank accounts are pledged as collateral. The agreement requires financial reporting and a debt service coverage ratio of at least 1.25:1.00. At June 30, 2018, CCS was in compliance with its debt covenants. There was no outstanding balance at June 30, 2018.

CCS has a \$1,000,000 line of credit agreement with CCF. The line of credit is available until July 2023. Interest accrues at five percent beginning on the day funds are advanced. The outstanding balance at June 30, 2018, was \$174,382. This line of credit is subordinate to the line of credit with the bank described above.

NOTE 11 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets represent unexpended distributions of income from permanently restricted net assets, and donations and grants subject to donor-imposed stipulations. The Organization’s temporarily restricted net assets at June 30, 2018, were restricted to the following purposes:

Program services	\$ 4,432,676
Nativity House	1,674,014
Hope House	357,674
Unappropriated endowment earnings	100,212
Other	<u>60,000</u>
	<u>\$ 6,624,576</u>

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
Notes to Financial Statements
For the Year Ended June 30, 2018

NOTE 12 - PERMANENTLY RESTRICTED NET ASSETS (ENDOWMENTS)

The Organization classifies as permanently restricted net assets the original value of contributions to the permanent endowment and the original value of subsequent contributions to the permanent endowment. Investment income earned on permanent endowment funds is classified as temporarily restricted until those funds are appropriated for expenditure.

The Organization follows a set of prudent investing and spending standards for endowment funds in accordance with the Prudent Management of Institutional Funds Act.

The following describes the net asset composition of the endowment funds at June 30, 2018:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Program services	\$ 100,212	\$ 141,739	\$ 241,951
General endowment		<u>56,000</u>	<u>56,000</u>
Total	<u>\$ 100,212</u>	<u>\$ 197,739</u>	<u>\$ 297,951</u>

Changes in endowment net assets for the year ended June 30, 2018, were as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Beginning of fiscal year	\$ 89,764	\$ 197,739	\$ 287,503
Investment income	<u>10,448</u>		<u>10,448</u>
End of fiscal year	<u>\$ 100,212</u>	<u>\$ 197,739</u>	<u>\$ 297,951</u>

NOTE 13 - CONTRIBUTIONS IN-KIND

Contribution revenue includes the following in-kind contributions received by CCS:

Food for feeding programs	\$ 2,193,382
Use of facilities	<u>954,162</u>
	<u>\$ 3,147,544</u>

NOTE 14 - PENSION PLAN

CCS adopted a money purchase pension plan effective July 1, 1991. All divisions participate. All employees, except hourly home care and case aide employees, who have completed one year of service and 1,000 hours are eligible. Contributions to the plan are six percent of the employee's compensation. Pension expense for 2018 was \$2,338,055.

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
Notes to Financial Statements
For the Year Ended June 30, 2018

NOTE 14 - PENSION PLAN, CONTINUED

Transactions of the retirement plan are not included in the financial statements. Contributions are made directly to a bank that maintains the retirement plan invested funds.

NOTE 15 - LEASED AND RENTED FACILITIES AND EQUIPMENT

Some buildings and equipment used by CCS for its offices and community services programs are leased under operating leases. Under some of the operating leases, CCS pays a portion of property taxes, insurance, maintenance, and expenses related to the leased property. Total rent expense for leased facilities and equipment and those rented on a month-to-month basis was \$2,988,627.

Minimum future obligations on noncancellable operating leases in effect at June 30, 2018, are:

2019	\$ 1,680,017
2020	806,309
2021	560,289
2022	403,992
2023	<u>138,704</u>
Total	<u>\$ 3,589,311</u>

NOTE 16 - INSURANCE

CCS is part of the Corporation of the Catholic Archbishop of Seattle's (CCAS) insurance program for property, liability, and workers compensation. CCAS' insurance is provided through a self-insured program run by CCAS with excess limits brokered by an insurance and risk management firm. Workers compensation expense through CCAS was \$3,237,668 for 2018. Property and liability insurance expense through CCAS was \$319,232 for 2018.

NOTE 17 – CONCENTRATIONS, CONTINGENCIES, AND COMMITMENTS

Sixty-three percent of the employees are covered under the following collective bargaining agreements:

- The Long-Term Care System's home care workers, expires June 30, 2019, and
- Non-management employees at Northwest, expiring June 30, 2021

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
Notes to Financial Statements
For the Year Ended June 30, 2018

NOTE 17 – CONCENTRATIONS, CONTINGENCIES AND COMMITMENTS, CONTINUED

CCS receives funds under numerous contracts, grants and agreements with federal, state and local governmental agencies. CCS may be subject to repayment of funds received under contracts, grants and agreements with governmental agencies that provide for payments to CCS based on cost or statistical data. Most contracts, grants and agreements are subject to audit by the funding sources. In addition, those sources are subject to the approval of appropriations to fund programs.

CCS may be subject to legal proceedings and claims which arise in the normal course of business. In the opinion of management, the ultimate outcome of the claims and litigation, if any, will not have a material effect on the financial position.

CCS, as the managing member of Devoe Housing LLC (Devoe), Tacoma G Street Family Housing LLC (G Street), Monica's Village I, LLC (Monica's Village), Nativity House LLC (Nativity House) and Devoe II Housing LLC (Devoe II) has agreed to advance funds for operating deficits. CCS' obligation to advance funds is unlimited for Devoe. CCS' obligation to advance funds for operating deficits to G Street, Monica's Village, Nativity House and Devoe II is initially unlimited, then limited to \$150,000, \$300,000, \$369,000, and \$257,967, respectively, and finally terminated based on achievement of operating milestones as defined in the respective operating agreements. Operating deficit loans are repayable, without interest, subject to available cash flow in the priority established in the operating agreements. No advances have been required under the agreements through June 30, 2018.

Funding for the purchase and development of some land and buildings was provided under grants and contracts that include restrictive covenants. Sale, transfer or change in use may result in repayment of some or all of the restricted funding or reversion of the property to the funding source depending on the contract.

NOTE 18 - SUBSEQUENT EVENTS

CCS has evaluated subsequent events through January 18, 2019, which is the date the financial statements were available to be issued, and has determined that there are no subsequent events that require disclosure or recognition other than the following:

CCS received a grant of \$5,001,163 in November 2018 to provide solutions to family homelessness over the next four years.

SUPPLEMENTARY INFORMATION

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Contract Identifying Number	Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<u>Child and Adult Care Food Program:</u>			
Passed through State of Washington, Office of Superintendent of Public Instruction Child Adult Care Food Program (USDA- Childcare Centers)	10.558	27-01-0498	\$ 14,617
Passed through State of Washington, Child Adult Care Food Program Youth Tutoring Program - CACFP	10.558	None	10,418
TOTAL CHILD AND ADULT CARE FOOD PROGRAM			<u>25,035</u>
<u>Emergency Food Assistance Program:</u>			
Passed through Food Lifeline Emergency Food Assistance Program	10.569	None	123,379
TOTAL EMERGENCY FOOD ASSISTANCE PROGRAM			<u>123,379</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>148,414</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<u>Community Development Block Grants/Entitlement Grants:</u>			
Passed through Tacoma Community Redevelopment Authority Nativity House - Note D	14.218	None	789,900
Passed through City of Seattle St. Martin de Porres Enhanced Shelter	14.218	DA17-1445	198,339
Passed through Solid Ground of Washington King County Housing Stability Project	14.218	None	2,102
Passed through King County KC Eastside Winter Shelter	14.218	5897589	67,012
KC DCHS/CEA Seattle Diversion	14.218	5859140 Exh IV	20,389
KC DCHS/CEA East Diversion	14.218	5859140 Exh V	16,827
Katherine House - Note D	14.218	None	106,435
Passed through City of Kent Katherine House	14.218	BG1709-1809	14,132
Passed through Sno Co Office of Housing, Homelessness & Co Devlp. CDBG/Pregnant & Parenting Housing	14.218	HCS-17-24-1701-007	36,755
Passed through City of Marysville Volunteer Chore Services - CDBG	14.218	CFDA 14.218 CDBG	5,000
Passed through City of Everett Dept of Planning & Community Development Volunteer Transportation	14.218	2017	2,957
<u>Community Development Block Grants/Entitlement Grants, continued:</u>			
Passed through Pierce County - Human Services Department Family Housing Network Program	14.218	SC - 105431	19,639
Passed through City of Tacoma Homeless Adult Services: Emergency Services	14.218	None	76,070
TOTAL COMMUNITY DEVELOPMENT BLOCK GRANTS/ ENTITLEMENT GRANTS			<u>1,355,557</u>

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
Schedule of Expenditures of Federal Awards, Continued
For the Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Contract Identifying Number	Federal Expenditures
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, CONTINUED</u>			
<u>Emergency Solutions Grant Program:</u>			
Passed through City of Tacoma - Emergency Shelter Grant			
City of Tacoma - Emergency Solutions Grant (ESG)	14.231	None	\$ 37,626
Passed through Pierce County Human Services			
Homeless and Housing Assistance Program (HHP)-Single Adult Shelter	14.231	SC-104539-5	234,621
Homeless and Housing Assistance Program (HHP)-Family Shelter	14.231	SC-104539-5	29,626
Homeless and Housing Assistance Program (HHP)-RRH ESG/HB2163	14.231	SC-104539-5	53,740
Coordinated Entry	14.231	SC-104594	8,745
Coordinated Entry	14.231	SC-105517	133,228
Passed through Snohomish County Office of Housing, Homelessness & Community Development			
EFH/ESG Commerce (Partial Fed Funding)	14.231	HCS-17-66-1707-007(2)	81,929
ESG HUD Rapid Rehousing	14.231	HCS-17-31-1701-007(1)	136,829
Passed through King County			
St. Martin de Porres Enhanced Shelter	14.231	5897589	15,000
Sacred Heart Shelter	14.231	5897589	12,500
South County Shelter Systems	14.231	5897589	105,000
Passed through King County - DCHS			
KC DCHS Rapid Re-Housing Single Adults	14.231	5897589	188,673
KC DCHS Rapid Re-Housing Family	14.231	5897589	96,736
TOTAL EMERGENCY SOLUTIONS GRANT PROGRAM			<u>1,134,253</u>
<u>HOME Investment Partnerships Program:</u>			
Passed through State of Washington - Department of Commerce			
Devoe Housing Continuum - Note D	14.239	None	530,000
Passed through Thurston County			
Devoe II Housing - Note D	14.239	None	200,000
TOTAL HOME INVESTMENT PARTNERSHIPS PROGRAM			<u>730,000</u>
<u>Housing Opportunities for Persons with AIDS Program:</u>			
Passed through City of Seattle			
HIV/AIDS Housing Assistance Program	14.241	DA18-1056	103,887
HIV/AIDS Housing Assistance Program	14.241	DA17-1056	181,265
TOTAL HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS PROGRAM			<u>285,152</u>
<u>Continuum of Care Program:</u>			
Direct Funding			
WA-500 - Ren - Aloha Inn	14.267	WA0003L0T001508	11,795
WA-500 - Ren - Aloha Inn	14.267	WA0003L0T001509	182,565
Drexel - Continuum of Care	14.267	WA0203L0T011709	12,854
Drexel - Continuum of Care	14.267	WA0203L0T011608	104,077
TOTAL DIRECT FUNDING			<u>311,291</u>

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
Schedule of Expenditures of Federal Awards, Continued
For the Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Contract Identifying Number	Federal Expenditures
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, CONTINUED</u>			
<u>Continuum of Care Program, Continued:</u>			
Indirect Funding			
Passed through King County			
St. Martin de Porres Enhanced Shelter	14.267	5723820	\$ 64,319
KC DCHS/CEA Seattle RAP	14.267	5859140 Exh II	187,575
KC DCHS/CEA East RAP	14.267	5859140 Exh III	81,511
Passed through Pierce County Community Connections			
Manresa Apartments-Transitional Housing Project	14.267	SC-105128	30,970
Bridges Village-Transitional Housing Project	14.267	SC-104322	15,607
Nativity House - Continuum of Care	14.267	SC-105182	82,705
Nativity House - Continuum of Care	14.267	SC-104300	53,610
Passed through Snohomish County Office of Housing, Homelessness & Community Development			
ESG-Emergency Solutions Grant	14.267	HCS-17-50-1656-007	139,463
Road To Recovery (Prv Autumn Leaf Housing Project)	14.267	HCS-17-50-1663-007	66,147
Home Connection	14.267	HCS-17-50-1625-007 (2)	485,605
Meadowdale	14.267	HCS-17-50-1611-007 (1)	182,832
Journey Home	14.267	HCS-17-50-1671-007 (1)	281,493
The Road Home	14.267	HCS-17-50-1692-007 (2)	188,134
Permanent Housing for Veterans	14.267	HCS-17-50-1633-007 (1)	101,792
Homeless Families Home At Last	14.267	HCS-17-50-1651-007 (1)	196,402
TOTAL INDIRECT FUNDING			<u>2,158,165</u>
TOTAL CONTINUUM OF CARE PROGRAM			<u>2,469,456</u>
<u>Public and Indian Housing:</u>			
Passed through Seattle Housing Authority			
Youth Tutoring Program	14.850	4646	393,442
TOTAL PUBLIC AND INDIAN HOUSING			<u>393,442</u>
<u>Moving to Work Demonstration Program</u>			
Passed through Pierce County Community Connections			
Homeless and Housing Assistance Program (HHAP) - Rapid Rehousing THA	14.881	SC-104539-5	508,801
TOTAL MOVING TO WORK DEMONSTRATION PROGRAM			<u>508,801</u>
<u>Choice Neighborhoods Implementation Grants:</u>			
Passed through Seattle University			
Youth Tutoring Program - Yesler Terrace	14.889	34-230533 SA-01	15,601
TOTAL CHOICE NEIGHBORHOODS IMPLEMENTATION GRANTS			<u>15,601</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>6,892,262</u>

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
Schedule of Expenditures of Federal Awards, Continued
For the Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Contract Identifying Number	Federal Expenditures
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<i>Transit Services Programs Cluster</i>			
<u>Enhanced Mobility of Seniors and Individuals with Disabilities:</u>			
Passed through Clark County Public Transportation Benefit Area (dba-C-TRAN) for Volunteer Driver Program	20.513	2015-TSB-02	\$ 38,025
Passed through Washington State Department of Transportation Consolidated Public Transportation Grant	20.513	UCB1520	13,595
Disabled Veteran's Transportation	20.513	UCB1489	45,223
TOTAL ENHANCED MOBILITY OF SENIORS AND INDIVIDUALS WITH DISABILITIES			96,843
TOTAL TRANSIT SERVICES PROGRAMS CLUSTER			96,843
<u>U.S. DEPARTMENT OF VETERANS AFFAIRS</u>			
<u>VA Homeless Providers Grant and Per Diem Program:</u>			
Passed through Catholic Housing Services Department of Veteran Affairs	64.024	None	273,960
TOTAL VA HOMELESS PROVIDERS GRANT AND PER DIEM PROGRAM			273,960
<u>VA Supportive Services for Veteran Families Program:</u>			
Direct funding			
Supportive Services for Veteran Families (SSVF) - Priority 1	64.033	C15-WA-503A	82,357
Supportive Services for Veteran Families (SSVF)	64.033	13-WA-146	210,491
Supportive Services for Veteran Families (SSVF)	64.033	18-WA-146	951,258
TOTAL VA SUPPORTIVE SERVICES FOR VETERAN FAMILIES PROGRAM			1,244,106
TOTAL U.S. DEPARTMENT OF VETERANS AFFAIRS			1,518,066
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<u>Race to the Top - District Grants</u>			
Passed through Seattle School District Youth Tutoring Program - New Holly	84.416	75-14339	3,036
TOTAL U.S. DEPARTMENT OF EDUCATION			3,036

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
Schedule of Expenditures of Federal Awards, Continued
For the Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Contract Identifying Number	Federal Expenditures
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<u>Aging Cluster</u>			
<u>Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers:</u>			
Passed through Lewis-Mason-Thurston Area Agency on Aging			
Transportation Services	93.044	14-1120-0041-01 (3)	\$ 26,330
Senior Nutrition Program-Home Delivered Nutrition	93.044	18-1140-0064-01	762
Passed through City of Seattle			
African American Elders Program	93.044	DA17-1387	68,749
Passed through Snohomish County Human Services			
Volunteer Transportation Program	93.044	A-17-50-04-007	17,153
Volunteer Transportation Program	93.044	A-18-50-04-007	17,501
Passed through Area Agency on Aging and Disabilities of Southwest Washington (AAADSW)			
Senior Transportation Services	93.044	None	7,055
Passed through Senior Services for South Sound			
LMT Volunteer Transportation	93.044	10-1120-0041-08-(5)	2,139
Passed through Olympic Area Agency on Aging			
Clallam & Pacific Volunteer Chore Service	93.044	555-41-26-17	12,223
Clallam & Pacific Volunteer Chore Service	93.044	555-41-26-18	17,768
TOTAL SPECIAL PROGRAMS FOR THE AGING - TITLE III, PART B - GRANTS FOR SUPPORTIVE SERVICES AND SENIOR CENTERS			169,680
<u>Special Programs for the Aging - Title III, Part C - Nutrition Services:</u>			
Passed through City of Seattle			
Senior Congregate Nutrition Services	93.045	DA17-1700	229,017
Senior Congregate Nutrition Services	93.045	DA18-1700	176,483
Passed through Lewis-Mason-Thurston Area Agency on Aging			
Senior Nutrition Program - Home Delivered Nutrition	93.045	14-1140-0064-01 (6)	33,418
Senior Nutrition Program - Home Delivered Nutrition	93.045	18-1140-0064-01	39,278
Passed through Pierce County Community Connections			
Senior Nutrition Program - Congregate	93.045	SC-105047-1	419,757
Senior Nutrition Program - Home Delivered Meals	93.045	SC-105047-1	253,137
TOTAL SPECIAL PROGRAMS FOR THE AGING - TITLE III, PART C - NUTRITIONAL SERVICES			1,151,090

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
Schedule of Expenditures of Federal Awards, Continued
For the Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Contract Identifying Number	Federal Expenditures
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES, CONTINUED</u>			
<u>Aging Cluster, continued</u>			
<u>Nutrition Services Incentive Program:</u>			
Passed through City of Seattle			
Senior Congregate Nutrition Services	93.053	DA17-1700	\$ 35,328
Senior Congregate Nutrition Services	93.053	DA18-1700	38,251
Passed through Pierce County Community Connections			
Senior Nutrition Program - Congregate NSIP	93.053	SC-105047-1	44,066
Senior Nutrition Program - Home Delivered Meals NSIP	93.053	SC-105047-1	83,226
Passed through Lewis-Mason-Thurston Area Agency on Aging			
Senior Nutrition Program-NSIP Home Delivered	93.053	14-1140-0064-01 (6)	11,201
Senior Nutrition Program-NSIP Home Delivered	93.053	18-1140-0064-01	9,655
TOTAL NUTRITION SERVICES INCENTIVE PROGRAM			<u>221,727</u>
TOTAL AGING CLUSTER			<u>1,542,497</u>
National Family Caregiver Support, Title III, Part E			
Passed through City of Seattle			
African American Elders Program	93.052		<u>19,016</u>
<u>Substance Abuse and Mental Health Services - Projects of Regional and National Significance:</u>			
Passed through Skagit County			
Access to Recovery	93.243	C20170223	154,519
Access to Recovery	93.243	C20180215	<u>27,554</u>
TOTAL SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES - PROJECTS OF REGIONAL AND NATIONAL SIGNIFICANCE			<u>182,073</u>
<u>Unaccompanied Alien Children Program:</u>			
Passed through US Conference of Catholic Bishops			
Alien Unaccompanied Minors (Long Term FC)	93.676	90ZU0163	676,772
Home Suitability Assessment (Safe Passages)	93.676	None	<u>4,150</u>
TOTAL UNACCOMPANIED ALIEN CHILDREN PROGRAM			<u>680,922</u>
<u>HIV Emergency Relief Project Grants:</u>			
Passed through King County			
HIV/AIDS Housing Assistance Program - Ryan White Part A	93.914	1905 (1)	82,941
HIV/AIDS Housing Assistance Program - Ryan White Part A	93.914	3114	<u>30,152</u>
TOTAL HIV EMERGENCY RELIEF PROJECT GRANTS			<u>113,093</u>
<u>Block Grants for Community Mental Health Services:</u>			
Passed through Multnomah County			
Emergency Development Crisis Stabilization	93.958	4400003545	161,984
Passed through Clackamas County Behavioral Health Division			
Emergency Development Crisis Stabilization	93.958	8122-1	161,244
Passed through Oregon Health Authority			
Family Search and Engagement FSE	93.958	153228	61,370
Passed through Sno Co Office of Housing, Homelessness & Co Devlp.			
BRIDGES	93.958	1312-94054 (8)	<u>34,533</u>
TOTAL BLOCK GRANTS FOR COMMUNITY MENTAL HEALTH SERVICES			<u>419,131</u>

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
Schedule of Expenditures of Federal Awards, Continued
For the Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Contract Identifying Number	Federal Expenditures
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES, CONTINUED</u>			
<u>Block Grants for Prevention and Treatment of Substance Abuse:</u>			
Passed through King County			
Matt Talbot	93.959	5893187	\$ 66,750
Passed through North Sound Behavioral Organization			
Noth Sound BHO	93.959	SABG-17-19	37,441
TOTAL BLOCK GRANTS FOR PREVENTION AND TREATMENT OF SUBSTANCE ABUSE			<u>104,191</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>3,060,923</u>
 <u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICES</u>			
<u>Retired and Senior Volunteer Program:</u>			
Passed through Corp. of National Service			
Retired Senior Volunteer Program (RSVP)	94.002	15SRPWA003	85,233
TOTAL RETIRED AND SENIOR VOLUNTEER PROGRAM			<u>85,233</u>
TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICES			<u>85,233</u>
 <u>GAP Solutions, Inc</u>			
<u>AmeriCorps:</u>			
Passed through GAP Solutions, Inc			
AmeriCorps	94.006	None	5,130
TOTAL GAP SOLUTIONS, INC			<u>5,130</u>
TOTAL GAP SOLUTIONS, INC			<u>5,130</u>
 <u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
<u>Emergency Food and Shelter National Board Program:</u>			
Passed through Emergency Food & Shelter National Board Program			
Emergency Food & Shelter Program	97.024	None	54,124
Passed through Associated Ministries			
Emergency Food and Shelter Program (EFSP) - Phase 33	97.024	LRO # 891400-019	34,000
Passed through United Way of Grays Harbor County			
Emergency Food and Shelter Program (EFSP) - Phase 33	97.024	LRO # 888400-009	9,213
Passed through United Way of Kitsap County			
Emergency Food and Shelter Program (EFSP) - Phase 33	97.024	LRO # 889600-019	28,500
Passed through United Way of Pierce County			
Emergency Food and Shelter Program (EFSP) - Phase 33	97.024	LRO # 891400-043	44,000
TOTAL EMERGENCY FOOD AND SHELTER NATIONAL BOARD PROGRAM			<u>169,837</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>169,837</u>
TOTAL FEDERAL AWARDS			<u>\$ 11,979,744</u>

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of CCS, under programs of the federal government for the year ended June 30, 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*. Because the Schedule presents only a selected portion of the operations of CCS, it is not intended to and does not present the financial position, changes in net assets, or cash flows of CCS.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. 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. Pass-through entity identifying numbers are presented where available. CCS elected to use the 10 percent de minimis indirect cost rate for federal awards made on or after December 26, 2014, and for funding increments (additional funding on existing awards) with modified terms and conditions that are awarded on or after that date for divisions other than Northwest.

NOTE C – SUBRECIPIENTS

Of the federal expenditures presented in the Schedule, CCS provided none of the federal awards to subrecipients.

NOTE D - LOANS AND GRANTS WITH CONTINUING COMPLIANCE REQUIREMENTS

CCS received the following funding through loans. Loan documents require compliance with program regulations until the maturity date of the loan. The loans are forgivable on their maturity dates provided that CCS remains in compliance with the loan requirements. The balance of loans outstanding at the beginning of the year and loans received during the year are included in the accompanying schedule of expenditures of federal awards. The balance of loans outstanding at June 30, 2018, consists of:

	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Outstanding Loan Balance</u>
<u>U. S. DEPARTMENT OF HOUSING AND</u>			
<u>URBAN DEVELOPMENT</u>			
<u>Community Development Block</u>			
<u>Grants/Entitlement Grants:</u>			
Passed through King County			
Katherine House	14.218	D26556D & F	\$ 106,435
Passed through Tacoma Community			
Redevelopment Authority			
New Nativity House	14.218	None	789,900

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
Notes to Schedule of Expenditures of Federal Awards, Continued
For the Year Ended June 30, 2018

NOTE D - LOANS AND GRANTS WITH CONTINUING COMPLIANCE REQUIREMENTS,
CONTINUED

	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Outstanding Loan Balance</u>
<u>U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, Continued</u>			
<u>HOME Investment Partnership Program:</u>			
Passed through State of Washington, Department of Commerce			
Drexel House	14.239	None	\$ 530,000
Passed through Thurston County,			
Devoe II Housing	14.239	None	<u>200,000</u>
			<u>\$ 1,626,335</u>

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
Schedule of Financial Position by Division
June 30, 2018

	Governance	King County	Southwest	Long-Term Care	Northwest	Eliminations	Total
CURRENT ASSETS							
Cash	\$ 7,150,897	\$ 236,430	\$ 8,332,995	\$ 5,519,725	\$ 374,294		\$ 21,614,341
Accounts receivable, net of allowance for doubtful accounts of \$61,989		4,144,896	6,691,790	5,577,833	3,394,904	\$ (250,494)	19,558,929
Accounts receivable, related parties	7,817,473	235,285	550,391	520	67,178	(7,039,758)	1,631,089
Pledges receivable, current portion	483,333						483,333
Notes receivable, related parties, current portion	10,000		41,717				51,717
Notes receivable, current portion	43,520						43,520
Prepaid expenses	41,513	76,897	228,128	37,820	85,622		469,980
Inventory, food			16,750				16,750
Funds held in trust		69,708					69,708
TOTAL CURRENT ASSETS	<u>15,546,736</u>	<u>4,763,216</u>	<u>15,861,771</u>	<u>11,135,898</u>	<u>3,921,998</u>	<u>(7,290,252)</u>	<u>43,939,367</u>
PROPERTY AND EQUIPMENT							
Land	2,236,028	857,072	2,161,974	179,523	1,209,939		6,644,536
Buildings and building improvements	1,124,590	8,548,320	12,957,266	1,461,565	7,661,520		31,753,261
Furniture and equipment	458,566	902,570	1,465,981	281,496	871,858		3,980,471
Leasehold improvements		1,083,220	1,294,678		596,662		2,974,560
Construction in progress	48,586	1,676,775	-		185,279		1,910,640
	3,867,770	13,067,957	17,879,899	1,922,584	10,525,258		47,263,468
Less: accumulated depreciation	(513,350)	(6,111,681)	(3,927,284)	(727,315)	(1,881,577)		(13,161,207)
TOTAL PROPERTY AND EQUIPMENT	<u>3,354,420</u>	<u>6,956,276</u>	<u>13,952,615</u>	<u>1,195,269</u>	<u>8,643,681</u>		<u>34,102,261</u>
OTHER ASSETS							
Pledges receivable, net of current portion	525,000		106,197				631,197
Notes receivable, related parties, net	842,251		2,002,578				2,844,829
Lease receivable	1,014,319						1,014,319
Cash, maintenance reserve account		194,098					194,098
Investments	1,133,495		300,577				1,434,072
Accounts receivable, endowment funds	-	229,951					229,951
TOTAL OTHER ASSETS	<u>3,515,065</u>	<u>424,049</u>	<u>2,409,352</u>				<u>6,348,466</u>
TOTAL ASSETS	<u>\$ 22,416,221</u>	<u>\$ 12,143,541</u>	<u>\$ 32,223,738</u>	<u>\$ 12,331,167</u>	<u>\$ 12,565,679</u>	<u>\$ (7,290,252)</u>	<u>\$ 84,390,094</u>

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
Schedule of Financial Position by Division, Continued
June 30, 2018

	Governance	King County	Southwest	Long-Term Care	Northwest	Eliminations	Total
CURRENT LIABILITIES							
Accounts payable	\$ 242,637	\$ 878,691	\$ 721,436	\$ 343,155	\$ 235,884	\$ (12,146)	\$ 2,409,657
Accounts payable, related parties	107,930	1,843,193	2,093,211	4,120,921	51,365	(7,277,741)	938,879
Accrued payroll and related expenses	256,473	747,908	2,340,614	4,496,712	609,742	(365)	8,451,084
Notes payable, current portion		749,166	1,292,137		90,081		2,131,384
Refundable deposits				508,718			508,718
Accrued liabilities		16,476	200,456	112,865		-	329,797
Deferred revenue	24,346	67,546	434	22,032	1,011,117		1,125,475
Funds held in trust		71,642	13,579				85,221
TOTAL CURRENT LIABILITIES	<u>631,386</u>	<u>4,374,622</u>	<u>6,661,867</u>	<u>9,604,403</u>	<u>1,998,189</u>	<u>(7,290,252)</u>	<u>15,980,215</u>
LONG-TERM LIABILITIES							
Notes payable, net of current portion		719,215	7,719,017		6,630,625		15,068,857
Line of credit, related party			174,382				174,382
Deferred lease revenue, long-term	1,348,223						1,348,223
TOTAL LONG-TERM LIABILITIES	<u>1,348,223</u>	<u>719,215</u>	<u>7,893,399</u>	<u>-</u>	<u>6,630,625</u>		<u>16,591,462</u>
TOTAL LIABILITIES	<u>1,979,609</u>	<u>5,093,837</u>	<u>14,555,266</u>	<u>9,604,403</u>	<u>8,628,814</u>	<u>(7,290,252)</u>	<u>32,571,677</u>
NET ASSETS							
Unrestricted net assets	18,118,955	4,911,295	15,969,458	2,593,143	3,403,251		44,996,102
Temporarily restricted net assets	2,261,657	2,008,670	1,699,014	133,621	521,614		6,624,576
Permanently restricted net assets	56,000	129,739			12,000		197,739
TOTAL NET ASSETS	<u>20,436,612</u>	<u>7,049,704</u>	<u>17,668,472</u>	<u>2,726,764</u>	<u>3,936,865</u>		<u>51,818,417</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 22,416,221</u>	<u>\$ 12,143,541</u>	<u>\$ 32,223,738</u>	<u>\$ 12,331,167</u>	<u>\$ 12,565,679</u>	<u>\$ (7,290,252)</u>	<u>\$ 84,390,094</u>

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
Schedule of Activities by Division
For the Year Ended June 30, 2018

	Governance	King County	Southwest	Long-Term Care	Northwest	Eliminations	Total
Support and revenue:							
Fees and grants from governmental agencies		\$ 21,752,051	\$48,824,827	\$ 50,449,758	\$19,530,059	\$ (918,136)	\$ 139,638,559
Contributions - received directly	\$ 3,805,906	4,643,104	3,109,850	415,569	482,401	(468,032)	11,988,798
Contributions - received indirectly	1,658						1,658
Contributions - United Way allocations		557,968	51,034		23,749		632,751
Contributions - United Way donor designated		160,958	71,854		1,148		233,960
Contributions - associated organizations	1,587,691	1,767,510	267,358		473,302	(2,346,651)	1,749,210
Contributions - in-kind (Note 14)		1,591,849	1,555,695				3,147,544
Legacies and bequests	969,735	258,179	71,701		7,690		1,307,305
Special events	39,892	125	133,458		1,320		174,795
Special events expenses		(122,208)	(44,501)				(166,709)
Fees and other income:							
Management fees	4,988,431		185,654			(4,747,773)	426,312
Training fees			7,813	3,531,240			3,539,053
Private program service fees		517,737	1,332,864	6,938,334	862,733		9,651,668
Investment income	287,826		154,391		325		442,542
Rental income and fees	38,388	912,802	127,504			(462,180)	616,514
Miscellaneous revenue	4,296	77,714	32,200	49,899	4,844		168,953
	<u>11,723,823</u>	<u>32,117,789</u>	<u>55,881,702</u>	<u>61,384,800</u>	<u>21,387,571</u>	<u>(8,942,772)</u>	<u>173,552,913</u>

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
Schedule of Activities by Division, Continued
For the Year Ended June 30, 2018

	Governance	King County	Southwest	Long-Term Care	Northwest	Eliminations	Total
Expenses and losses:							
Salaries and related payroll expenses	\$ 3,820,793	\$ 12,752,056	\$ 40,744,694	\$ 56,012,994	\$ 12,977,971	\$ (1,072,671)	\$ 125,235,837
Professional fees and contract service payments	482,862	806,517	2,300,798	2,775,603	1,811,324	(4,064,943)	4,112,161
Supplies	47,374	518,260	1,317,727	1,070,842	187,399	(9,146)	3,132,456
Telephone	21,125	247,193	587,441	105,331	173,627	(3,586)	1,131,131
Postage	44,426	37,614	28,295	51,827	12,582		174,744
Occupancy	79,600	1,355,148	1,864,521	648,093	998,442	(107,501)	4,838,303
Equipment rental and maintenance	161,806	151,872	260,159	132,588	151,083	-	857,508
Printing and advertisement	310,191	98,318	161,341	77,292	18,306	-	665,448
Travel	7,265	113,897	290,592	157,314	278,711	(6,598)	841,181
Conferences	4,199	71,181	241,718	192,344		(5,346)	504,096
Contributions, grants and specific assistance/foster care payments	4,185,560	12,843,304	4,147,480	35,274	2,837,543	(3,672,981)	20,376,180
Dues and fees	116,595	39,381	42,890	305	52,552		251,723
Taxes and insurance	503,407	108,451	17,693	169	97,580		727,300
Interest and bank charges	26,991	69,454	87,544	20,437	30,039		234,465
Bad debts			125,659	57,676	163,872		347,207
In-kind expenses		1,591,849	1,559,916				3,151,765
Miscellaneous	222,060	87,390	(18,322)	(9)	78,981	-	370,100
Depreciation	68,593	492,747	564,066	60,173	232,904	-	1,418,483
Total expenses	<u>10,102,847</u>	<u>31,384,632</u>	<u>54,324,212</u>	<u>61,398,253</u>	<u>20,102,916</u>	<u>(8,942,772)</u>	<u>168,370,088</u>
Change in net assets	1,620,976	733,157	1,557,490	(13,453)	1,284,655		5,182,825
Net assets, beginning of year	<u>18,815,636</u>	<u>6,316,547</u>	<u>16,110,982</u>	<u>2,740,217</u>	<u>2,652,210</u>		<u>46,635,592</u>
Net assets, end of year	<u>\$ 20,436,612</u>	<u>\$ 7,049,704</u>	<u>\$ 17,668,472</u>	<u>\$ 2,726,764</u>	<u>\$ 3,936,865</u>	<u>\$ -</u>	<u>\$ 51,818,417</u>

WATSON & McDONELL, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S 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*

Board of Trustees
Catholic Community Services of Western Washington
Seattle, Washington

We have audited, in accordance with the 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, the financial statements of Catholic Community Services of Western Washington (the Organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 18, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the 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 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 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a 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 was not designed to 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 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 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*.

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.

Watson & McDowell, PLLC

January 18, 2019

WATSON & McDONELL, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Catholic Community Services of Western Washington
Seattle, Washington

Report on Compliance for Each Major Federal Program

We have audited Catholic Community Services of Western Washington'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 June 30, 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 the requirements of laws, regulations, contracts, and grants 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 the 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 Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

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 of compliance, we considered the Organization's internal control over compliance with the types of 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.

Independent Auditor's Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance, Page 3

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.

Watson & McDermott, PLLC

January 18, 2019

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2018

A. SUMMARY OF AUDITOR’S RESULTS

1. *Financial Statements*

The auditor’s report expresses an unmodified opinion on the financial statements of Catholic Community Services of Western Washington.

Internal control over financial reporting:

Material weaknesses identified: _____ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses: _____ Yes X None reported

Noncompliance material to financial statements noted: _____ Yes X No

2. *Federal Awards*

Internal control over major programs:

Material weaknesses identified: _____ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses: _____ Yes X None reported

3. Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? _____ Yes X No

4. The programs tested as major programs were:

<u>CFDA</u>	<u>Name of Federal program</u>	<u>Compliance Opinion</u>
#14.218	Community Development Block Grants/ Entitlement Grant	Unmodified
#14.267	Continuum of Care Program	Unmodified
#93.044, 93.045, 93.053	Aging Cluster – Grants for Supportive Services and Senior Centers, Nutrition Services, and Nutrition Services Incentive Programs	Unmodified

5. The threshold for distinguishing type A and B programs was \$750,000.

6. Catholic Community Services of Western Washington was determined to not be a low-risk auditee.

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
Schedule of Findings and Questioned Costs, Continued
For the Year Ended June 30, 2018

B. FINDINGS - FINANCIAL STATEMENTS AUDIT – None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS
AUDIT – None