

**CATHOLIC COMMUNITY SERVICES OF
WESTERN WASHINGTON**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)**



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**CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
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YEAR ENDED JUNE 30, 2019**

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INDEPENDENT AUDITORS' REPORT

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, 2019, 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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.

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, 2019, 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

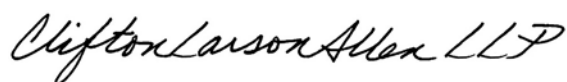
Catholic Community Services of Western Washington's 2018 financial statements were audited by Watson & McDonell, PLLC, whose practice became a part of CliftonLarsonAllen LLP as of February 1, 2019, and which stated that they expressed an unmodified audit opinion on those audited financial statements in their report dated January 4, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, 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 February 19, 2020, 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 solely 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 the effectiveness of 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.



CliftonLarsonAllen LLP

Bellevue, Washington
February 19, 2020

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

ASSETS	2019	2018
CURRENT ASSETS		
Cash	\$ 27,013,492	\$ 21,614,341
Accounts receivable, net of allowance for doubtful accounts of \$119,451 and \$118,375 in 2019 and 2018, respectively	22,768,680	19,558,929
Accounts receivable, related parties	2,510,412	1,631,089
Pledges receivable, current portion	1,200,000	483,333
Notes receivable, related parties, current portion, net of allowance of \$202,808 and \$1,191,739 in 2019 and 2018, respectively	51,717	51,717
Notes receivable, current portion	43,520	43,520
Prepaid expenses	467,764	469,980
Other current assets	48,019	86,458
Total current assets	54,103,604	43,939,367
PROPERTY AND EQUIPMENT		
Land	6,623,967	6,644,536
Building and equipment, net of accumulated depreciation of \$14,365,360 and \$13,161,207 in 2019 and 2018, respectively	27,930,175	27,457,725
Total property and equipment	34,554,142	34,102,261
OTHER ASSETS		
Pledges receivable, net of current portion	1,205,517	631,197
Notes receivable, related parties, net of current portion and allowance for doubtful accounts of \$2,013,000 and \$1,564,069 in 2019 and 2019, respectively	2,682,930	2,844,829
Lease receivable	1,121,924	1,014,319
Prepaid ground lease	600,000	-
Cash, maintenance reserve account	210,853	194,098
Investments	1,434,032	1,434,072
Accounts receivable, endowment funds held by related party	241,880	229,951
Total other assets	7,497,136	6,348,466
Total assets	\$ 96,154,882	\$ 84,390,094

See accompanying Notes to Financial Statements.

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
STATEMENT OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

LIABILITIES AND NET ASSETS	2019	2018
CURRENT LIABILITIES		
Accounts payable	\$ 2,928,901	\$ 2,409,657
Accounts payable, related parties	1,515,531	938,879
Accrued payroll and related expenses	8,810,033	8,451,084
Notes payable, current portion	106,254	2,131,384
Refundable deposits	481,343	508,718
Accrued liabilities	472,270	329,797
Deferred revenue	2,076,579	1,125,475
Funds held in trust	48,211	85,221
Total current liabilities	16,439,122	15,980,215
LONG-TERM LIABILITIES		
Notes payable, net of current portion and forgivable loans	808,234	801,886
Notes payable, related party	2,616,934	2,733,419
Notes payable, forgivable	12,303,684	11,533,552
Line of credit, related party	146,467	174,382
Deferred lease revenue, long term	1,324,834	1,348,223
Total long-term liabilities	17,200,153	16,591,462
Total liabilities	33,639,275	32,571,677
NET ASSETS		
Without donor restrictions	51,755,876	44,996,102
With donor restrictions:		
Perpetual in nature	197,739	197,739
Purpose and time restrictions	10,561,992	6,624,576
Total with donor restrictions	10,759,731	6,822,315
Total net assets	62,515,607	51,818,417
Total liabilities and net assets	\$ 96,154,882	\$ 84,390,094

See accompanying Notes to Financial Statements.

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	Without Donor Restrictions	With Donor Restrictions	2019	2018
SUPPORT AND REVENUE				
Fees and grants from governmental agencies	\$ 156,339,488	\$ -	\$ 156,339,488	\$ 139,638,559
Contributions	17,082,582	6,999,334	24,081,916	16,887,210
Contributions, United Way:				
Allocations	438,324	-	438,324	632,751
Donor-designated	147,216	-	147,216	233,960
Legacies and bequests	1,114,930	-	1,114,930	1,307,305
Special events, net of expenses of \$134,980 and \$166,709 in 2019 and 2018, respectively	(105,586)	-	(105,586)	8,086
Fees and other income:				
Development and management fees	428,284	-	428,284	426,312
Training fees	3,574,912	-	3,574,912	3,539,053
Private program service fees	9,912,700	-	9,912,700	9,651,668
Investment income	771,439	-	771,439	442,542
Rental income and fees	650,825	-	650,825	616,514
Miscellaneous revenue	739,089	-	739,089	168,953
Net assets released from restrictions	3,061,918	(3,061,918)	-	-
Total support and revenue	<u>194,156,121</u>	<u>3,937,416</u>	<u>198,093,537</u>	<u>173,552,913</u>
EXPENSES AND LOSSES				
Program services	173,876,445	-	173,876,445	155,609,009
Management and general	12,365,314	-	12,365,314	11,577,731
Fundraising	1,154,588	-	1,154,588	1,183,348
Total expenses	<u>187,396,347</u>	<u>-</u>	<u>187,396,347</u>	<u>168,370,088</u>
Total expenses and losses	<u>187,396,347</u>	<u>-</u>	<u>187,396,347</u>	<u>168,370,088</u>
CHANGE IN NET ASSETS	6,759,774	3,937,416	10,697,190	5,182,825
Net assets - beginning of year	44,996,102	6,822,315	51,818,417	46,635,592
NET ASSETS - END OF YEAR	<u>\$ 51,755,876</u>	<u>\$ 10,759,731</u>	<u>\$ 62,515,607</u>	<u>\$ 51,818,417</u>

See accompanying Notes to Financial Statements.

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	Social Services	Long-Term Care	Total Program	Management and General	Fundraising	Total 2019	Total 2018
Salaries and related payroll expenses	\$ 70,275,911	\$ 58,596,460	\$ 128,872,371	\$ 9,378,902	\$ 675,245	\$ 138,926,518	\$ 125,235,837
Contributions, grants, and specific assistance/foster care payments	22,387,125	51,899	22,439,024	149	2,000	22,441,173	20,376,180
Occupancy	4,312,865	661,073	4,973,938	397,539	18,578	5,390,055	4,838,303
Professional fees and contract service payments	1,308,069	2,739,935	4,048,004	848,077	60,919	4,957,000	4,112,161
Supplies	2,362,697	1,203,910	3,566,607	172,119	24,198	3,762,924	3,132,456
In-kind expenses	3,219,926	25,143	3,245,069	-	-	3,245,069	3,151,765
Depreciation	1,455,912	72,971	1,528,883	121,382	888	1,651,153	1,418,483
Telephone	1,055,252	103,291	1,158,543	94,238	5,433	1,258,214	1,131,131
Equipment rental and maintenance	801,664	128,767	930,431	274,772	33,651	1,238,854	857,508
Travel	674,438	163,558	837,996	57,791	454	896,241	841,181
Taxes and insurance	309,800	157	309,957	568,287	-	878,244	727,300
Conferences	554,606	191,551	746,157	17,959	209	764,325	504,096
Printing and advertisement	305,887	92,052	397,939	53,873	260,417	712,229	665,448
Miscellaneous	313,884	-	313,884	114,470	-	428,354	370,100
Interest and bank charges	217,550	27,115	244,665	53,652	41,689	340,006	234,465
Dues and fees	158,495	3,000	161,495	161,306	300	323,101	251,723
Postage	43,392	58,090	101,482	30,244	30,607	162,333	174,744
Venue and catering	-	-	-	-	134,980	134,980	224,276
Bad debts	-	-	-	20,554	-	20,554	347,207
	<u>109,757,473</u>	<u>64,118,972</u>	<u>173,876,445</u>	<u>12,365,314</u>	<u>1,289,568</u>	<u>187,531,327</u>	<u>168,594,364</u>
Total expenses including special events							
Less: Special events	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(134,980)</u>	<u>(134,980)</u>	<u>(224,276)</u>
Total	<u>\$ 109,757,473</u>	<u>\$ 64,118,972</u>	<u>\$ 173,876,445</u>	<u>\$ 12,365,314</u>	<u>\$ 1,154,588</u>	<u>\$ 187,396,347</u>	<u>\$ 168,370,088</u>

See accompanying Notes to Financial Statements.

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 10,697,190	\$ 5,182,825
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	1,651,153	1,418,483
Loss (gain) on sale of assets	16,842	(278)
Net loss on equity method investments	40	174
Recovery of bad debts	(756,000)	
Allowance for uncollectible notes receivable	216,000	-
(Increase) decrease in operating assets:		
Accounts receivable	(3,209,751)	(2,615,325)
Accounts receivable, related parties	(879,323)	(102,733)
Pledges receivable	(1,290,987)	(786,243)
Prepaid expenses	(597,784)	(93,388)
Other current assets	38,439	(17,232)
Lease receivable	(107,605)	(113,686)
Increase (decrease) in operating liabilities:		
Accounts payable	519,244	443,105
Accounts payable, related parties	576,652	127,237
Accrued payroll and related expenses	358,949	1,105,237
Other accrued liabilities	78,088	(1,892)
Deferred revenue	927,715	(1,481,455)
Net cash provided by operating activities	8,238,862	3,064,829
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(2,168,462)	(5,529,994)
Sale of property and equipment	48,586	-
Decrease (increase) in notes receivable, related parties, net	(228,640)	89,662
Funding of notes receivable	-	(53,520)
Payments received on notes receivable	930,539	44,733
Appropriations from (deposits to) cash, endowment fund	(11,929)	4,628
(Deposits to) withdrawals from cash, maintenance reserve account	(16,755)	178,896
Net cash used by investing activities	(1,446,661)	(5,265,595)

See accompanying Notes to Financial Statements.

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	\$ (2,135,267)	\$ (189,631)
Payments on line of credit, net	(27,915)	(24,493)
Proceeds from notes payable	770,132	2,760,000
Net cash provided (used) by financing activities	(1,393,050)	2,545,876
 NET INCREASE IN CASH	 5,399,151	 345,110
Cash - beginning of year	21,614,341	21,269,231
CASH - END OF YEAR	\$ 27,013,492	\$ 21,614,341
 SUPPLEMENTAL DISCLOSURES		
Interest paid	\$ 216,451	\$ 98,308

See accompanying Notes to Financial Statements.

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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.

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.

Financial Statement Presentation

CCS's financial statements are presented on the accrual basis of accounting. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

New Accounting Pronouncements – ASU 2016-14

During the year ended June 30, 2019, the Organization adopted a provision of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of the Financial Statements for Not-For-Profit Entities*. This new accounting standard results in a reduction of three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) to two (net assets with donor restrictions and net assets without donor restrictions), expands reporting of expenses by nature and function, and requires qualitative and quantitative disclosures about the Organization's liquidity and availability. The adoption of this accounting standard did not have an impact on the Organization's financial position or changes in its net assets.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of restrictions on net assets are reported as reclassifications between the applicable classes of net assets.

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

CCS reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

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, 2018, 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.

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, 2019, the Organization's deposits exceeded the federally insured limits by approximately \$27 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.

**CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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% 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, 2019 are as follows:

Buildings and improvements	\$ 32,794,726
Furniture and equipment	4,073,184
Leasehold improvements	4,542,851
Construction in progress	884,774
Total property and equipment	<u>42,295,535</u>
Less: Accumulated depreciation	14,365,360
Property and equipment, net	<u><u>\$ 27,930,175</u></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 2019.

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

Buildings	30 to 40 Years
Building improvements	5 to 31 Years
Furniture and equipment	3 to 10 Years
Leasehold improvements	3 to 15 Years

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Contributions In-Kind

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 14).

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 financial statements report categories of expenses that are attributable to the program and supporting functions. All expenses are allocated based on direct usage utilizing the methodology of direct allocation with the exception of occupancy, which is based on square footage, and computer support cost in professional fees is based on the number of computers used by the program or supporting function. Expenses that directly benefit program participants are classified as program services of social services or long-term care services. Expenses that support the program services are assigned to management and general and fundraising as supporting services.

Pledges Receivable

Pledges are recorded as receivables and revenue when received. CCS distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. Long-term pledges are not discounted as the impact is not material. There is no allowance for uncollectible pledges as management believes the amounts to be fully realizable. At June 30, 2019, pledges from one donor comprised 96 percent of pledges receivable. At June 30, 2018, pledges from three donors comprised 90 percent of pledges receivable. At June 30, 2019 pledges to be collected in one year were \$1,200,000 and pledges to be collected in two to five years were \$1,205,517. At June 30, 2018, pledges to be collected in one year were 483,333 and pledges to be collected in two to five years were \$631,197.

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

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

NOTE 2 LIQUIDITY AND AVAILABILITY

The table below presents financial assets available for general expenditures within one year at June 30, 2019:

Cash and cash equivalents	\$ 27,013,492
Accounts receivable, net	22,767,453
Accounts receivable, related party	2,510,412
Accounts receivable, other	1,227
Pledges receivable, current	1,200,000
Notes and leases receivable, current	<u>95,237</u>
Total financial assets	<u><u>\$ 53,587,821</u></u>

The organization receives significant contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The organization has a liquidity goal to maintain current financial assets less current liabilities at a minimum of 30 days operating expenses. To achieve this target, the entity forecasts its future cash flows and monitors its liquidity quarterly. During the years ended June 30, 2019 and 2018, the level of liquidity was managed within the goal objectives.

NOTE 3 FEDERAL INCOME TAX

CCS is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). CCS is not a private foundation as defined in IRC 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.

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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	0.01%
Southwest	Devoe II Housing LLC	200,000	0.01%
Southwest	Nativity House Apartments, LLC	767	0.01%
Southwest	Tacoma G Street Family Housing, LLC	(117)	0.01%
Governance	Monica Village Place I Housing LLC	783,455	0.01%
		<u>1,084,032</u>	
Governance	Catholic Charities Foundation	350,000	0.00%
	Total Investments	<u>\$ 1,434,032</u>	

As of December 31, 2018, the total assets and total liabilities of the limited liability companies that CCS has an investment in were \$42,093,710 and \$18,223,161, respectively. Total net loss was \$1,391,836 for the year ended December 31, 2018.

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. Interest receivable related to earnings on these funds is \$1,108,663 and \$1,053,982 at December 31, 2019 and 2018, respectively.

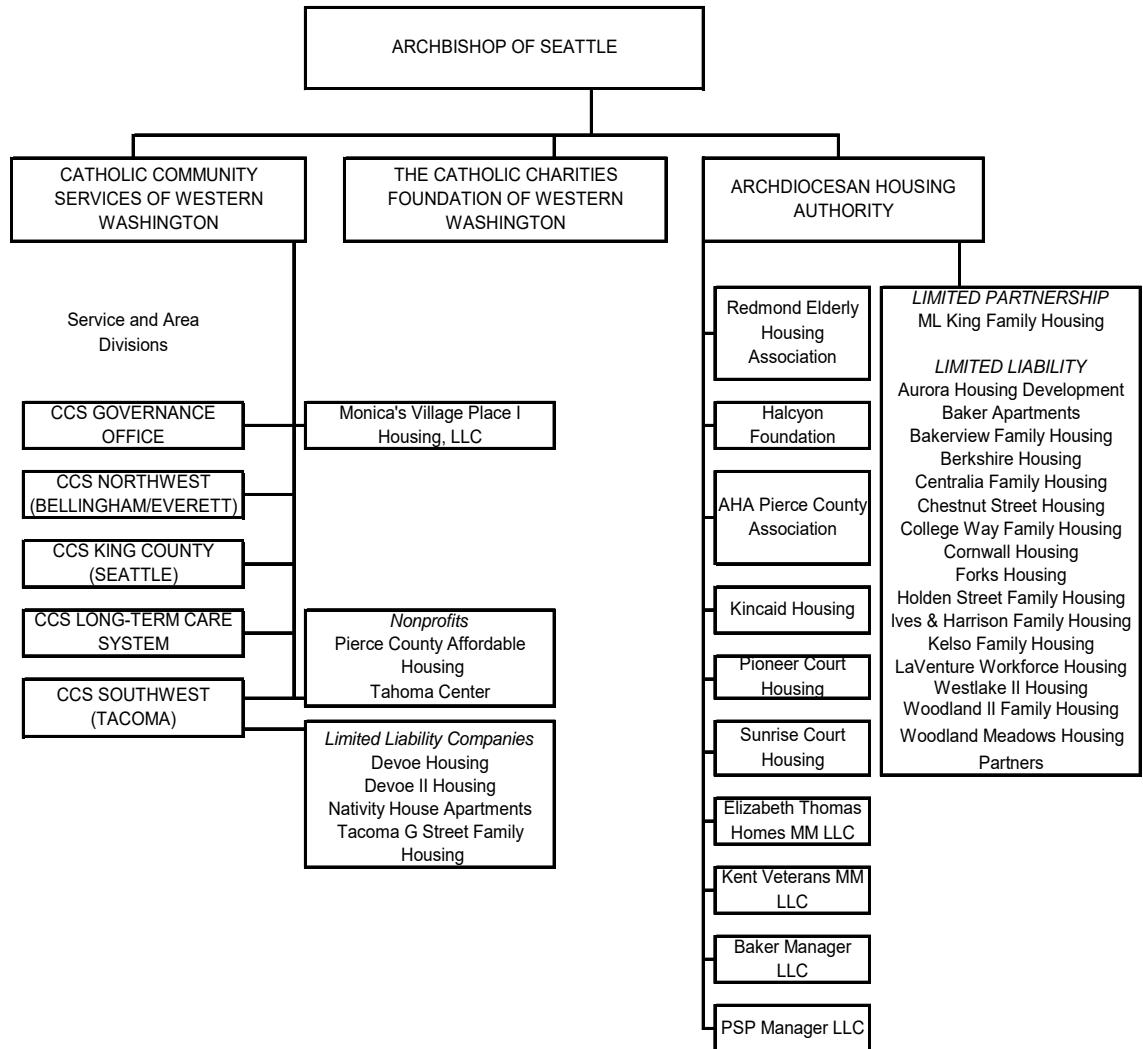
NOTE 5 RELATED PARTY TRANSACTIONS

CCS, The Catholic Charities Foundation of Western Washington (CCF), the Corporation of the Catholic Archbishop of Seattle (CCAS) and Archdiocesan Housing Authority dba Catholic Housing Services (CHS) are related organizations, as the Archbishop of Seattle is the corporation sole of CCAS and the only member of CCS, CCF, and CHS. 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 CHS, or the Archbishop of Seattle has a fixed number of seats on these boards.

**CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019**

NOTE 5 RELATED PARTY TRANSACTIONS

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
JUNE 30, 2019**

NOTE 5 RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions with related parties included in revenue are as follows:

CCAS	Contributions	\$ 600,000
CCF	Contributions	500,000
CHS	Management fees	223,424
CHS	Rental income and fees	487,373
CHS	Fees and grants	21,627
	Total	<u>\$ 1,832,424</u>

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

Monica Village Place I Housing LLC	\$ 10,000
Devoe Housing LLC	22,644
Devoe II Housing LLC Management Fee	46,800
Nativity House Apartments, LLC	55,354
Tacoma G Street Family Housing, LLC	58,996
Total	<u>\$ 193,794</u>

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

CHS	\$ 115,367
Tahoma Center Association	267,467
Total	<u>\$ 382,834</u>

CCS made a grant to CHS for \$1,123,125 during the year ended June 30, 2019.

At June 30, 2019, noninterest bearing accounts receivable from related parties were as follows:

CHS	\$ 530,974
Nativity House Apartments, LLC	35,519
Tahoma Center	4,430
Devoe Housing LLC	164,993
Devoe II	76,085
Tacoma G Street Family Housing LLC	16,371
Pierce County Affordable Housing Association	23,023
Other	15,178
Total	<u>\$ 866,573</u>

**CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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, 2019, noninterest bearing accounts payable to related parties were as follows:

CHS	\$ 208,123
CCAS	759,502
Other	<u>12,730</u>
Total	<u>\$ 980,355</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. Notes receivable at June 30, 2019 were as follows:

CHS

CHS owes CCS \$221,892 on a note receivable, dated September 1, 1998. Annual payments of principal plus interest at 6% are payable subject to available net cash flow through April 30, 2040. Accrued interest at June 30, 2019 was \$419,090. The note is collateralized by Dorothy Day House.

\$ 640,982

CHS owes CCS \$440,849 on a note receivable, dated April 2, 1998. Annual payments of principal plus interest at 6% are payable subject to available net cash flow through April 30, 2023. Accrued interest at June 30, 2019 was \$563,211. The note is collateralized by the Highland and Tucker Apartments.

1,004,060

CHS owes CCS \$171,143 on a note, dated July 1, 1998. Annual payments of principal plus interest at 6% are payable subject to available net cash flow through April 30, 2023. Accrued interest at June 30, 2019 was \$197,582. The note is collateralized by La Casa del Padre Miguel.

368,725

**CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 6 NOTES RECEIVABLE (CONTINUED)

CHS (Continued)

CHS owes CCS \$180,686 on a note dated March 10, 1998. Annual payments of principal plus interest at 6% are payable subject to available net cash flow through July 1, 2020. Accrued interest at June 30, 2019 was \$170,065. The note is collateralized by the Washington Grocery Building. \$ 350,751

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% are due through August 20, 2034. Accrued interest at June 30, 2019 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 noninterest 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% are payable subject to available cash flow through December 31, 2050. Accrued interest at June 30, 2019 was \$787,955. 1,547,955

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% are required through December 31, 2019. The interest rate at June 30, 2019 was 4.2%. 118,198

Total collateralized notes receivable from related parties 4,290,046

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 noninterest bearing. 205,884

**CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 6 NOTES RECEIVABLE (CONTINUED)

CCS has unsecured notes receivable from the following related parties:

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 noninterest 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%. 10,000

Total unsecured notes receivable from related parties	457,601
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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 noninterest bearing and due at maturity in February 2019. \$ 43,520

Total notes receivable	4,791,167
Less: Current portion	95,237
Less: Allowance for unrealized losses	<u>2,013,000</u>
Long-term portion	<u><u>\$ 2,682,930</u></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 \$2,013,000 as of June 30, 2019. The provision relates to the secured notes from CHS for Dorothy Day House, Highland and Tucker Apartments, and La Casa del Padre Miguel. 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, 2019.

**CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7 LEASE RECEIVABLE

The Western Washington division of CCS leases the land on which the Josephinum Apartments are located to CHS under a 40-year ground lease effective December 29, 1989. The lease has a 10-year renewal option. Rent is payable by CHS to the extent of 10% of its surplus cash on December 31 of each year. Unpaid rents accrue interest at 8.09%. 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, 2019, rent and interest receivable totaled \$1,121,924.

NOTE 8 NOTES PAYABLE

The following notes and loans payable are nonrecourse and collateralized by the property owned by the identified entity. Notes payable at June 30, 2019 were as follows:

Installment Notes Payable

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% through maturity at April 1, 2022. The interest rate at June 30, 2019 is 4.95%. The loan is collateralized by land and a building with a carrying value of \$419,400 and \$571,627, respectively. \$ 504,834

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% and requires monthly fixed principal and interest payments of \$12,276 through May 2043. The loan is collateralized by a deed of trust and assignments of rents. 2,052,993

Vancouver Office Building

CCF loaned \$640,000 to the Southwest Division of CCS dated January 15, 2018. The loan bears interest at 5% and requires monthly fixed principal payments and interest payments of \$3,741 through January 2043. The loan is collateralized by land and a building with a carrying value of \$226,606 and \$593,227, respectively. 623,595

Total installment notes payable 3,181,422

**CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8 NOTES PAYABLE (CONTINUED)

Forgivable Notes and Loans

The following notes and loans are noninterest 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 \$312,326, 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 \$985,487, respectively. 835,000

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 \$1,330,316, 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 \$7,594,983, respectively. 202,000

**CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8 NOTES PAYABLE (CONTINUED)

Forgivable Notes and Loans (Continued)

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 \$22,459, 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

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 \$593,227, 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 \$4,041,116, respectively.

**CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8 NOTES PAYABLE (CONTINUED)

Forgivable Notes and Loans (Continued)

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.

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

Kirkland Family Center

King County has agreed to provide funding of \$3,270,132 to the King County Division of CCS for the construction of this property. The loan matures May 31, 2070 and is non-interest bearing. The loan is collateralized by a building with a carrying value of \$620,626. 770,132

Total forgivable notes and loans 12,303,684

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 8 NOTES PAYABLE (CONTINUED)

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 noninterest 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	15,835,106
Less: Current portion	106,254
Long-term portion	\$ 15,728,852

Summary of Notes Payable

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

<u>Year Ending June 30,</u>	<u>Payable</u>	<u>Deferred/ Forgivable</u>	<u>Total</u>
2020	\$ 106,254	\$ -	\$ 106,254
2021	109,390	-	109,390
2021	477,638	-	477,638
2023	69,380	-	69,380
2024	618,903	-	618,903
Thereafter	2,043,603	12,303,684	14,347,287
Total	\$ 3,425,168	\$ 12,303,684	\$ 15,728,852

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 \$1,046,925, respectively, at June 30, 2019.

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 \$277,909, respectively at June 30, 2019.

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2020. The interest rate varies with the LIBOR daily floating rate plus 1.5%. 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, 2019, CCS was in compliance with its debt covenants. There was no outstanding balance at June 30, 2019.

CCS has a \$1,000,000 line of credit agreement with CCF. The line of credit is available until July 2023. Interest accrues at 5% beginning on the day funds are advanced. The outstanding balance at June 30, 2019 was \$146,467. This line of credit is subordinate to the line of credit with the bank described above.

NOTE 11 NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restrictions at June 30, 2019 were consisted of the following:

Purpose restricted:	
Program services	\$ 8,262,978
Capital projects	2,035,216
Unappropriated endowment earnings	112,141
Other	<u>60,000</u>
Total	10,470,335
Time and purpose restricted:	
Program services	<u>91,657</u>
Total	<u><u>\$ 10,561,992</u></u>
Amounts held in perpetuity:	
Endowment corpus amounts	<u><u>\$ 197,739</u></u>

NOTE 12 ENDOWMENTS

The Organization classifies as net assets with donor restrictions held in perpetuity the original value of contributions to the endowment and the original value of subsequent contributions to the endowment. Investment income earned on endowment funds held in perpetuity is classified as net assets with donor restrictions 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.

**CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 12 ENDOWMENTS, (CONTINUED)

Endowment Investment and Spending Policies

CCS has interpreted the Washington State Prudent Management of Institutional Funds Act (PMIFA), as requiring the preservation of the historical cost of the original gift of donor restricted endowment funds absent explicit donor stipulations to the contrary and its own bylaws. As a result of this interpretation, the Organization classifies as donor-restricted net assets – perpetual in nature the original value of contributions to the permanent endowment and the original value of subsequent contributions to the endowment. Investment income earned on the amounts held in perpetuity is classified as donor-restricted until those funds are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by PMIFA.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to preserve the principle value of the endowment assets over the long-term. The Organization’s spending and investment policies work together to achieve its long-term return objectives within prudent risk parameters. The Organization invests in cash and cash equivalents.

The following describes the net asset composition of the endowment funds at June 30, 2019:

	Donor Restricted		Total
	Purpose Restricted	Restricted in Perpetuity	
Program services	\$ 112,141	\$ 141,739	\$ 253,880
General endowment	-	56,000	56,000
Total	<u>\$ 112,141</u>	<u>\$ 197,739</u>	<u>\$ 309,880</u>

Changes in endowment net assets for the year ended June 30, 2019 were as follows:

	Donor Restricted		Total
	Purpose Restricted	Restricted in Perpetuity	
Beginning of fiscal year	\$ 100,212	\$ 197,739	\$ 297,951
Investment income	11,929	-	11,929
End of fiscal year	<u>\$ 112,141</u>	<u>\$ 197,739</u>	<u>\$ 309,880</u>

NOTE 13 CONTRIBUTIONS IN-KIND

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

Food for feeding programs	\$ 2,097,004
Use of facilities	1,145,755
Total	<u>\$ 3,242,759</u>

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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 6% of the employee's compensation. Pension expense for 2019 was \$2,761,374.

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 \$3,226,693.

Minimum future obligations on noncancellable operating leases in effect at June 30, 2019 are:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 1,365,803
2021	973,591
2022	702,473
2023	239,510
2024	46,056
Thereafter	75,652
Total	<u>\$ 3,403,085</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 administers the insurance program for its administrative offices, parishes, schools, CCS, CHS, and other archdiocesan organizations. CCAS is self-insured for specific amounts and collects premiums from CCS and CHS to cover self-insured claims costs. CCS and CHS purchase coverage for losses in excess of the self-insured limits and additional insurance policies not available through the CCAS insurance program.

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2021, and
- Nonmanagement employees at Northwest, expiring June 30, 2021

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, 2019.

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 February 19, 2020, 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.

**CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal DFCA Number	Contract Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Child and Adult Care Food Program:			
Passed through State of Washington, Office of Superintendent of Public Instruction			
Child Adult Care Food Program (USDA- Childcare Centers)	10.558	27-01-0498	\$ 14,137
Total Child and Adult Care Food Program			<u>14,137</u>
Emergency Food Assistance Program:			
Passed through Food Lifeline Emergency Food Assistance Program	10.569	None	70,234
Total Emergency Food Assistance Program			<u>70,234</u>
Total U.S. Department of Agriculture			<u>84,371</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Community Development Block Grants/Entitlement Grants:			
Passed through Tacoma Community Redevelopment Authority			
Nativity House - Note D	14.218	None	789,900
Passed through Solid Ground of Washington			
King County Housing Stability Project	14.218	None	2,151
Passed through King County			
KC DCHS/CEA East Diversion	14.218	5859140 Exh VI	40,000
Katherine House - Note D	14.218	None	106,435
Kirkland Shelter	14.218	None	770,132
Passed through City of Kent			
Katherine House	14.218	BG1709-1809	7,632
Katherine House	14.218	BG1909-2009	6,500
Passed through Sno Co Office of Housing, Homelessness & Co Devlp.			
CDBG/Pregnant & Parenting Housing	14.218	HCS-17-24-1701-007	45,759
Passed through City of Marysville			
Volunteer Chore Services - CDBG	14.218	CFDA 14.218 CDBG	8,000
Passed through City of Everett Dept of Planning & Community Development			
Volunteer Transportation	14.218	2017	4,000
Passed through Pierce County - Human Services Department			
Family Housing Network Program	14.218	SC - 105255-1	37,841
Passed through Thurston County - Public Health and Social Services			
Community Development Block Grant	14.218	TH62819	25,694
Passed through City of Tacoma			
Homeless Adult Services: Emergency Services	14.218	CI19672	76,304
Total Community Development Block Grants/Entitlement Grants			<u>1,920,348</u>
Emergency Solutions Grant Program:			
Passed through City of Tacoma - Emergency Shelter Grant			
City of Tacoma - Emergency Solutions Grant (ESG)	14.231	CI19613	40,000
Passed through Pierce County Human Services			
Homeless and Housing Assistance Program (HHP)-Single Adult Shelter			
Homeless and Housing Assistance Program (HHP)-Single Adult Shelter	14.231	SC-106147-2	285,240
Homeless and Housing Assistance Program (HHP)-Family Shelter	14.231	SC-106147-2	9,401
Homeless and Housing Assistance Program (HHP)-RRH ESG	14.231	SC-106147-2	34,742
Coordinated Entry	14.231	SC-105517-2	115,882
Coordinated Entry	14.231	SC-106399	89,925

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal DFCA Number	Contract Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (CONTINUED)			
Emergency Solutions Grant Program (Continued):			
Passed through Sno Co Office of Housing, Homelessness & Co Devlp.			
EFH/ESG Commerce (Partial Fed Funding)	14.231	HCS-17-66-1707-007(4)	\$ 228,934
ESG HUD Rapid Rehousing	14.231	HCS-17-31-1701-007(1)	4,705
ESG HUD Rapid Rehousing	14.231	HCS-18-31-1801-007(1)	106,918
Passed through King County			
St. Martin de Porres Enhanced Shelter	14.231	5897589	7,500
Sacred Heart Shelter	14.231	5897589	6,250
South County Shelter Systems	14.231	6065165	81,649
South County Shelter Systems	14.231	5897589	52,500
Passed through King County - DCHS			
KC DCHS Rapid Re-Housing Single Adults	14.231	5897589	71,717
KC DCHS Rapid Re-Housing Single Adults	14.231	6065165	41,875
KC DCHS Rapid Re-Housing Family	14.231	5897589	23,964
KC DCHS Rapid Re-Housing Family	14.231	6065165	50,000
Total Emergency Solutions Grant Program			<u>1,251,202</u>
HOME Investment Partnerships Program:			
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 Partnership Program			<u>730,000</u>
Housing Opportunities for Persons with AIDS Program:			
Passed through City of Seattle			
HIV/AIDS Housing Assistance Program	14.241	DA18-1056 (1)	227,514
HIV/AIDS Housing Assistance Program	14.241	DA19-1056	124,265
Total Housing Opportunities for Persons with AIDS Program			<u>351,779</u>
Continuum of Care Program:			
Direct Funding			
WA-500 - Ren - Aloha Inn	14.267	WA0003L0T001408	188,037
WA-500 - Ren - Aloha Inn	14.267	WA0003L0T001409	19,011
Drexel - Continuum of Care	14.267	WA0203L0T011709	106,281
Drexel - Continuum of Care	14.267	WA0203L0T011810	12,750
Total Direct Funding			<u>326,079</u>
Indirect Funding			
Passed through King County			
St. Martin de Porres Enhanced Shelter	14.267	5723820	67,043
KC DCHS/CEA Seattle RAP	14.267	5859140 Exh II	85,493
KC DCHS/CEA Seattle RAP	14.267	5859140 Exh VI	261,800
Passed through Catholic Housing Services			
Dorothy Day	14.267	None	8,598
Westlake	14.267	None	56,294
Passed through Plymouth Housing Services			
Coming Home	14.267	None	60,302
Passed through Pierce County Community Connections			
Manresa Apartments-Transitional Housing Project	14.267	SC-106117	33,212
Nativity House - Continuum of Care	14.267	SC-105182	61,917
Nativity House - Continuum of Care	14.267	SC-106116	93,365
Passed through Sno Co Office of Housing, Homelessness & Co Devlp.			
Clare's Place	14.267	HCS-18-50-1700-007 (1)	22,621
Home Connection	14.267	HCS-18-50-1725-007 (1)	485,704
Meadowdale	14.267	HCS-18-50-1711-007	187,813
Journey Home	14.267	HCS-18-50-1771-007	292,026
The Road Home	14.267	HCS-18-50-1792-007 (1)	192,027
Permanent Housing for Veterans	14.267	HCS-18-50-1733-007 (1)	112,091
Homeless Families Home At Last	14.267	HCS-18-50-1751-007	196,255
Total Indirect Funding			<u>2,216,561</u>
Total Continuum of Care Program			2,542,640

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal DFCA Number	Contract Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (CONTINUED)			
Public and Indian Housing:			
Passed through Seattle Housing Authority			
Youth Tutoring Program	14.850	4646	\$ 356,439
Total Public and Indian Housing			<u>356,439</u>
Moving to Work Demonstration Program:			
Passed through Pierce County Community Connections			
Homeless and Housing Assistance Program (HHAP) -			
Rapid Rehousing THA	14.881	SC-106147-2	305,248
Total Moving to Work Demonstration Program			<u>305,248</u>
Choice Neighborhoods Implementation Grants:			
Passed through Seattle University			
Youth Tutoring Program - Yesler Terrace	14.889	34-230533 SA-01	13,157
Total Choice Neighborhoods Implementation Grants			<u>13,157</u>
Total U.S. Department of Housing and Urban Development			7,470,813
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Transit Services Programs Cluster</i>			
Enhanced Mobility of Seniors and Individuals with Disabilities:			
Passed through Clark County Public Transportation			
Benefit Area (dba-C-TRAN) for Volunteer Driver Program	20.513	2015-TSB-02	34,647
Passed through Washington State Department of Transportation			
Consolidated Public Transportation Grant	20.513	UCB1520	24,270
Disabled Veteran's Transportation	20.513	UCB1489	48,177
Total Enhanced Mobility of Seniors and Individuals with Disabilities			<u>107,094</u>
Total Transit Services Program Cluster			107,094
U.S. DEPARTMENT OF VETERANS AFFAIRS			
VA Homeless Providers Grant and Per Diem Program:			
Passed through Catholic Housing Services			
Department of Veteran Affairs	64.024	None	277,945
Total VA Homeless Providers Grant and Per Diem Program			<u>277,945</u>
VA Supportive Services for Veteran Families Program:			
Direct Funding			
Supportive Services for Veteran Families (SSVF)	64.033	19-WA-146	1,167,452
Supportive Services for Veteran Families (SSVF)	64.033	18-WA-146	332,806
Total VA Supportive Services for Veteran Families Program			<u>1,500,258</u>
Total U.S. Department of Veterans Affairs			1,778,203

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal DFCA Number	Contract Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Aging Cluster</i>			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers:			
Passed through Lewis-Mason-Thurston Area Agency on Aging Senior Nutrition Program-Home Delivered Nutrition	93.044	18-1140-0064-01	\$ 20,313
Passed through City of Seattle African American Elders Program	93.044	DA18-1387	44,711
Passed through Snohomish County Human Services Volunteer Transportation Program	93.044	A-19-50-04-007	20,417
Volunteer Transportation Program	93.044	A-18-50-04-007	17,636
Passed through Pierce County Human Services Senior Nutrition - Congregate	93.044	SC-105047-5	5,146
Passed through Area Agency on Aging and Disabilities of Southwest Washington (AAADSW) Senior Transportation Services	93.044	None	6,441
Passed through Senior Services for South Sound LMT Volunteer Transportation	93.044	18-1120-0041-08	1,228
Passed through Olympic Area Agency on Aging Clallam & Pacific Volunteer Chore Service	93.044	555-41-26-19	18,886
Clallam & Pacific Volunteer Chore Service	93.044	555-41-26-18	17,496
Total Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers			152,274
Special Programs for the Aging - Title III, Part C - Nutrition Services:			
Passed through City of Seattle Senior Congregate Nutrition Services	93.045	DA17-1700	168,459
Senior Congregate Nutrition Services	93.045	DA18-1700	187,339
Passed through Lewis-Mason-Thurston Area Agency on Aging Senior Nutrition Program - Home Delivered Nutrition	93.045	18-1140-0064-01 (2)	37,690
Senior Nutrition Program - Home Delivered Nutrition	93.045	18-1140-0064-01 (1)	36,350
Passed through Pierce County Community Connections Senior Nutrition Program - Congregate	93.045	SC-105047-5	435,557
Senior Nutrition Program - Home Delivered Meals	93.045	SC-105047-5	385,826
Total Special Programs for the Aging - Title III, Part C - Nutritional Services			1,251,221
Nutrition Services Incentive Program:			
Passed through City of Seattle Senior Congregate Nutrition Services	93.053	DA19-1700	36,512
Senior Congregate Nutrition Services	93.053	DA18-1700	31,143
Passed through Pierce County Community Connections Senior Nutrition Program - Congregate NSIP	93.053	SC-105047-1	45,178
Senior Nutrition Program - Home Delivered Meals NSIP	93.053	SC-105047-5	83,962
Passed through Lewis-Mason-Thurston Area Agency on Aging Senior Nutrition Program-NSIP Home Delivered	93.053	18-1140-0064-01 (1)	10,262
Senior Nutrition Program-NSIP Home Delivered	93.053	18-1140-0064-01 (2)	9,263
Total Nutrition Services Incentive Program			216,320
Total Aging Cluster			1,619,815

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal DFCA Number	Contract Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
National Family Caregiver Support, Title III, Part E			
Passed through City of Seattle			
African American Elders Program	93.052		\$ 10,778
Substance Abuse and Mental Health Services - Projects of Regional and National Significance:			
Passed through King County			
Access to Recovery	93.243	4241 CHS	75,214
Passed through Skagit County			
Access to Recovery	93.243	C20180215	<u>99,540</u>
Total Substance and Mental Health Services - Projects of Regional and National Significance			174,754
Unaccompanied Alien Children Program:			
Passed through US Conference of Catholic Bishops			
Alien Unaccompanied Minors (Long Term FC)	93.676	90ZU0163	631,796
Home Suitability Assessment (Safe Passages)	93.676	None	<u>4,250</u>
Total Unaccompanied Alien Children Program			636,046
Opioid STR Program:			
Passed through Skagit County:			
Alien Unaccompanied Minors (Long Term FC)	93.788	90ZU0163	61,206
Passed through North Sound BHO:			
Home Suitability Assessment (Safe Passages)	93.788	None	<u>5,103</u>
Total Opioid STR Program			66,309
HIV Emergency Relief Project Grants:			
Passed through City of Seattle			
HIV/AIDS Housing Assistance Program - Ryan White Part A	93.914	4184 PREV	40,957
HIV/AIDS Housing Assistance Program - Ryan White Part A	93.914	3114 PREV (1)	<u>86,274</u>
Total HIV Emergency Relief Project Grants			127,231
Block Grants for Community Mental Health Services:			
Passed through Multnomah County			
Emergency Development Crisis Stabilization	93.958	4400003545-1	161,239
Passed through Oregon Health Authority			
Family Search and Engagement FSE	93.958	153228	<u>61,630</u>
Total Block Grants for Community Mental Health Services			222,869
Block Grants for Prevention and Treatment of Substance Abuse:			
Passed through King County			
Matt Talbot	93.959	5893187	51,580
Passed through North Sound Behavioral Organization			
North Sound BHO	93.959	SABG-17-19 (2)	<u>118,559</u>
Total Block Grants for Prevention and Treatment of Substance Abuse			<u>170,139</u>
Total U.S. Department of Health and Human Services			3,027,941
CORPORATION FOR NATIONAL AND COMMUNITY SERVICES			
Retired and Senior Volunteer Program:			
Passed through Corp. of National Service			
Retired Senior Volunteer Program (RSVP)	94.002	15SRPWA003	<u>82,839</u>
Total Retired and Senior Volunteer Program			<u>82,839</u>
Total Corporation for National and Community Services			82,839

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal DFCA Number	Contract Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HOMELAND SECURITY			
Emergency Food and Shelter National Board Program:			
Passed through Emergency Food & Shelter National Board Program			
Emergency Food & Shelter Program	97.024	None	\$ 43,264
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 # 893400-015	25,000
Passed through United Way of Grays Harbor County			
Emergency Food and Shelter Program (EFSP) - Phase 33	97.024	LRO # 888400-009	8,836
Passed through United Way of Kitsap County			
Emergency Food and Shelter Program (EFSP) - Phase 33	97.024	LRO # 889600-019	16,369
Passed through United Way of Pierce County			
Emergency Food and Shelter Program (EFSP) - Phase 33	97.024	LRO # 891400-043	48,000
Total Emergency Food and Shelter National Board Program			<u>175,469</u>
Total U.S. Department of Homeland Security			<u>175,469</u>
Total Federal Awards			<u>\$ 12,726,730</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019**

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, 2019. 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.

**CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

**NOTE D LOANS AND GRANTS WITH CONTINUING COMPLIANCE REQUIREMENTS
(CONTINUED)**

The balance of loans outstanding at June 30, 2019 consists of:

	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Outstanding Loan Balance</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Community Development Block Grants/ Entitlement Grants:			
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
HOME Investment Partnership Program:			
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>
Total			<u><u>\$ 1,626,335</u></u>

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
SCHEDULE OF FINANCIAL POSITION BY DIVISION
JUNE 30, 2019

ASSETS	<u>Governance</u>	<u>King County</u>	<u>Southwest</u>	<u>Long-Term Care</u>	<u>Northwest</u>	<u>Eliminations</u>	<u>Total</u>
CURRENT ASSETS							
Cash	\$ 5,942,545	\$ 152,163	\$ 14,217,648	\$ 5,515,948	\$ 1,185,188	\$ -	\$ 27,013,492
Accounts receivable, net of allowance for doubtful accounts of \$119,451	17,627	4,216,631	9,999,131	5,963,348	2,876,493	(304,550)	22,768,680
Accounts receivable, related parties	11,135,616	609,947	633,217	235	112,933	(9,981,536)	2,510,412
Pledges receivable, current portion	1,200,000	-	-	-	-	-	1,200,000
Notes receivable, related parties, current portion	10,000	-	41,717	-	-	-	51,717
Notes receivable, current portion	43,520	-	-	-	-	-	43,520
Prepaid expenses	65,336	90,543	179,451	45,865	86,569	-	467,764
Inventory, food	-	-	14,440	-	-	-	14,440
Funds held in trust	-	33,579	-	-	-	-	33,579
Total current assets	<u>18,414,644</u>	<u>5,102,863</u>	<u>25,085,604</u>	<u>11,525,396</u>	<u>4,261,183</u>	<u>(10,286,086)</u>	<u>54,103,604</u>
PROPERTY AND EQUIPMENT							
Land	2,215,459	857,072	2,161,974	179,523	1,209,939	-	6,623,967
Buildings and building improvements	1,124,590	8,810,512	13,010,555	1,477,154	8,371,915	-	32,794,726
Furniture and equipment	458,566	1,022,683	1,399,837	405,707	786,391	-	4,073,184
Leasehold improvements	-	2,549,365	1,291,349	-	702,137	-	4,542,851
Construction in progress	-	884,774	-	-	-	-	884,774
Total property and equipment	<u>3,798,615</u>	<u>14,124,406</u>	<u>17,863,715</u>	<u>2,062,384</u>	<u>11,070,382</u>	<u>-</u>	<u>48,919,502</u>
Less: accumulated depreciation	<u>(533,620)</u>	<u>(6,583,903)</u>	<u>(4,328,502)</u>	<u>(800,287)</u>	<u>(2,119,048)</u>	<u>-</u>	<u>(14,365,360)</u>
Property and equipment, net	<u>3,264,995</u>	<u>7,540,503</u>	<u>13,535,213</u>	<u>1,262,097</u>	<u>8,951,334</u>	<u>-</u>	<u>34,554,142</u>
OTHER ASSETS							
Pledges receivable, net of current portion	1,100,000	-	105,517	-	-	-	1,205,517
Notes receivable, related parties, net	614,777	-	2,068,153	-	-	-	2,682,930
Lease receivable	1,121,924	-	-	-	-	-	1,121,924
Prepaid ground lease	-	600,000	-	-	-	-	600,000
Cash, maintenance reserve account	-	210,853	-	-	-	-	210,853
Investments	1,133,455	-	300,577	-	-	-	1,434,032
Accounts receivable, endowment funds	-	241,880	-	-	-	-	241,880
Total other assets	<u>3,970,156</u>	<u>1,052,733</u>	<u>2,474,247</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,497,136</u>
Total assets	<u>\$ 25,649,795</u>	<u>\$ 13,696,099</u>	<u>\$ 41,095,064</u>	<u>\$ 12,787,493</u>	<u>\$ 13,212,517</u>	<u>\$ (10,286,086)</u>	<u>\$ 96,154,882</u>

**CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
SCHEDULE OF FINANCIAL POSITION BY DIVISION (CONTINUED)
JUNE 30, 2019**

LIABILITIES AND NET ASSETS	<u>Governance</u>	<u>King County</u>	<u>Southwest</u>	<u>Long-Term Care</u>	<u>Northwest</u>	<u>Eliminations</u>	<u>Total</u>
CURRENT LIABILITIES							
Accounts payable	\$ 206,840	\$ 708,452	\$ 1,180,158	\$ 182,579	\$ 670,458	\$ (19,586)	\$ 2,928,901
Construction costs payable	-	-	-	-	-	-	-
Accounts payable, related parties	21,314	2,657,524	3,088,060	5,431,684	583,449	(10,266,500)	1,515,531
Accrued payroll and related expenses	269,737	1,038,256	2,756,068	4,136,495	609,477	-	8,810,033
Notes payable, current portion	-	-	13,949	-	92,305	-	106,254
Refundable deposits	-	-	-	481,343	-	-	481,343
Accrued liabilities	-	135,851	262,753	71,992	1,674	-	472,270
Deferred revenue	24,346	461,061	1,527,229	6,671	57,272	-	2,076,579
Funds held in trust	-	34,988	13,223	-	-	-	48,211
Total current liabilities	<u>522,237</u>	<u>5,036,132</u>	<u>8,841,440</u>	<u>10,310,764</u>	<u>2,014,635</u>	<u>(10,286,086)</u>	<u>16,439,122</u>
LONG-TERM LIABILITIES							
Notes payable, net of current portion and forgivable notes	-	-	350,000	-	458,234	-	808,234
Notes payable, related party	-	-	609,646	-	2,007,288	-	2,616,934
Notes payable, forgivable	-	1,489,347	6,745,422	-	4,068,915	-	12,303,684
Line of credit, related party	-	-	146,467	-	-	-	146,467
Deferred lease revenue, long-term	1,324,834	-	-	-	-	-	1,324,834
Total long-term liabilities	<u>1,324,834</u>	<u>1,489,347</u>	<u>7,851,535</u>	<u>-</u>	<u>6,534,437</u>	<u>-</u>	<u>17,200,153</u>
Total liabilities	1,847,071	6,525,479	16,692,975	10,310,764	8,549,072	(10,286,086)	33,639,275
NET ASSETS							
Without donor restrictions	22,276,270	4,726,038	18,232,110	2,431,950	4,089,508	-	51,755,876
With donor restrictions:							
Perpetual in nature	56,000	129,739	-	-	12,000	-	197,739
With time and/or purpose restrictions	1,470,454	2,314,843	6,169,979	44,779	561,937	-	10,561,992
Total with donor restrictions	<u>1,526,454</u>	<u>2,444,582</u>	<u>6,169,979</u>	<u>44,779</u>	<u>573,937</u>	<u>-</u>	<u>10,759,731</u>
Total net assets	<u>23,802,724</u>	<u>7,170,620</u>	<u>24,402,089</u>	<u>2,476,729</u>	<u>4,663,445</u>	<u>-</u>	<u>62,515,607</u>
Total liabilities and net assets	<u>\$ 25,649,795</u>	<u>\$ 13,696,099</u>	<u>\$ 41,095,064</u>	<u>\$ 12,787,493</u>	<u>\$ 13,212,517</u>	<u>\$ (10,286,086)</u>	<u>\$ 96,154,882</u>

**CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
SCHEDULE OF ACTIVITIES BY DIVISION
YEAR ENDED JUNE 30, 2019**

	Governance	King County	Southwest	Long-Term Care	Northwest	Eliminations	Total
SUPPORT AND REVENUE							
Fees and grants from governmental agencies	\$ -	\$ 25,715,847	\$ 58,142,035	\$ 53,393,475	\$ 20,068,770	\$ (980,639)	\$ 156,339,488
Contributions - received directly	6,094,389	4,795,806	7,706,580	389,414	891,462	(733,039)	19,144,612
Contributions - received indirectly	1,853	-	-	-	-	-	1,853
Contributions - United Way allocations	-	388,891	49,433	-	-	-	438,324
Contributions - United Way donor-designated	-	99,079	47,066	-	1,071	-	147,216
Contributions - associated organizations	1,115,000	2,144,773	296,356	-	411,870	(2,275,307)	1,692,692
Contributions - in-kind	-	1,677,137	1,565,622	-	-	-	3,242,759
Legacies and bequests	714,216	297,736	102,978	-	-	-	1,114,930
Special events	29,114	280	-	-	-	-	29,394
Special events expenses	-	(134,980)	-	-	-	-	(134,980)
Fees and other income:							
Management fees	5,439,229	-	189,446	-	-	(5,200,391)	428,284
Training fees	-	-	3,459	3,571,453	-	-	3,574,912
Private program service fees	-	871,133	1,706,668	6,546,844	788,055	-	9,912,700
Investment income	353,453	-	417,333	-	653	-	771,439
Rental income and fees	38,389	1,047,256	125,063	-	-	(559,883)	650,825
Miscellaneous revenue	557,807	96,627	61,727	10,570	12,358	-	739,089
Total support and revenue	14,343,450	36,999,585	70,413,766	63,911,756	22,174,239	(9,749,259)	198,093,537

**CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
SCHEDULE OF ACTIVITIES BY DIVISION (CONTINUED)
YEAR ENDED JUNE 30, 2019**

	Governance	King County	Southwest	Long-Term Care	Northwest	Eliminations	Total
EXPENSES AND LOSSES							
Salaries and related payroll expenses	\$ 4,013,511	\$ 15,879,793	\$ 47,309,068	\$ 58,596,460	\$ 14,318,980	\$ (1,191,294)	\$ 138,926,518
Professional fees and contract service payments	558,097	1,017,736	3,198,565	2,745,733	1,872,446	(4,435,577)	4,957,000
Supplies	80,825	503,631	1,807,720	1,203,910	185,930	(19,092)	3,762,924
Telephone	22,673	266,206	678,671	103,291	192,025	(4,652)	1,258,214
Postage	26,575	37,306	27,679	58,090	12,683	-	162,333
Occupancy	103,280	1,801,649	2,003,689	684,136	936,588	(139,287)	5,390,055
Equipment rental and maintenance	221,312	295,246	227,359	128,767	366,170	-	1,238,854
Printing and advertisement	276,179	101,072	230,805	92,052	13,155	(1,034)	712,229
Travel	12,348	134,249	328,796	163,558	261,956	(4,666)	896,241
Conferences	3,009	82,290	492,182	191,551	-	(4,707)	764,325
Contributions, grants, and specific assistance/ foster care payments	4,296,903	14,122,330	5,063,714	51,899	2,855,277	(3,948,950)	22,441,173
Dues and fees	133,185	49,373	73,559	3,000	63,984	-	323,101
Taxes and insurance	626,533	116,754	28,774	157	106,026	-	878,244
Interest and bank charges	35,729	73,190	81,262	27,115	122,710	-	340,006
Bad debts	-	-	4,950	13,958	1,646	-	20,554
In-kind expenses	-	1,677,137	1,567,932	-	-	-	3,245,069
Miscellaneous	99,541	152,266	13,907	25,143	137,497	-	428,354
Depreciation	67,638	568,441	541,517	72,971	400,586	-	1,651,153
Total expenses	<u>10,577,338</u>	<u>36,878,669</u>	<u>63,680,149</u>	<u>64,161,791</u>	<u>21,847,659</u>	<u>(9,749,259)</u>	<u>187,396,347</u>
CHANGE IN NET ASSETS	3,766,112	120,916	6,733,617	(250,035)	326,580	-	10,697,190
Net assets - beginning of year	20,436,612	7,049,704	17,668,472	2,726,764	3,936,865	-	51,818,417
Transfer of net assets	(400,000)				400,000		
NET ASSETS - END OF YEAR	<u>\$ 23,802,724</u>	<u>\$ 7,170,620</u>	<u>\$ 24,402,089</u>	<u>\$ 2,476,729</u>	<u>\$ 4,663,445</u>	<u>\$ -</u>	<u>\$ 62,515,607</u>



**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, 2019, 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 February 19, 2020.

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.

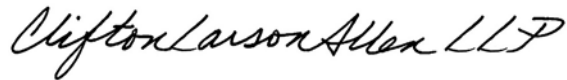
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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.



CliftonLarsonAllen LLP

Bellevue, Washington
February 19, 2020



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, 2019. 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, 2019.

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.

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.



CliftonLarsonAllen LLP

Bellevue, Washington
February 19, 2020

**CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes x no

Identification of Major Federal Programs

CFDA Number(s)	Name of Federal Program or Cluster
14.231	Emergency Solutions Grant Program
14.267	Continuum of Care Program

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

Auditee qualified as low-risk auditee? x yes _____ no

**CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs –Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).