

CATHOLIC CHARITIES
OF THE DIOCESE OF LEXINGTON, INC.

FINANCIAL STATEMENTS
AND
AUDITORS' REPORT

JUNE 30, 2013 AND 2012

CATHOLIC CHARITIES
OF THE DIOCESE OF LEXINGTON, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Catholic Charities of the
Diocese of Lexington, Inc.

We have audited the accompanying financial statements of Catholic Charities of the Diocese of Lexington, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 the Catholic Charities of the Diocese of Lexington, Inc., as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. Schedules A - B 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 not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Kring, Ray, Farley & Riddle, PSC

Lexington, Kentucky
October 17, 2013

CATHOLIC CHARITIES OF THE DIOCESE OF LEXINGTON, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
Current Assets:		
Cash:		
Operating	\$ 95,952	\$ 149,827
Restricted	52,798	62,191
Accounts receivable	11,127	116
Grants receivable	17,402	13,487
Total Current Assets	<u>177,279</u>	<u>225,621</u>
Property and Equipment:		
Leasehold improvements	7,290	7,290
Furniture and equipment	18,519	18,519
Total Property and Equipment	<u>25,809</u>	<u>25,809</u>
Less accumulated depreciation	<u>20,902</u>	<u>19,150</u>
Net Property and Equipment	<u>4,907</u>	<u>6,659</u>
Investments and Other Assets:		
Investments - adoption escrow	58,452	69,010
Investments - program and endowment	307,789	228,465
Total Investments and Other Assets	<u>366,241</u>	<u>297,475</u>
Total Assets	<u>\$ 548,427</u>	<u>\$ 529,755</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ 8,893	\$ 8,636
Payroll withholdings payable	490	532
Accrued expenses	13,492	13,722
Total Current Liabilities	<u>22,875</u>	<u>22,890</u>
Adoption Escrow	<u>58,452</u>	<u>69,010</u>
Total Liabilities	<u>81,327</u>	<u>91,900</u>
Net Assets:		
Unrestricted:		
Operating	147,660	181,522
Board designated	195,775	120,775
Temporarily restricted	66,769	78,662
Permanently restricted	56,896	56,896
Total Net Assets	<u>467,100</u>	<u>437,855</u>
Total Liabilities and Net Assets	<u>\$ 548,427</u>	<u>\$ 529,755</u>

The accompanying notes are an integral part of these financial statements.

CATHOLIC CHARITIES OF THE DIOCESE OF LEXINGTON, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Unrestricted Net Assets:		
Revenue:		
Contributions and grants	\$ 559,942	\$ 471,081
United Way	61,032	63,881
Special events	56,577	53,376
Fees for services	75,323	42,965
Realized and unrealized investment gains (losses)	(7,107)	-
Interest income	7,256	9,745
Miscellaneous	-	122
Total Revenue	<u>753,023</u>	<u>641,170</u>
Net Assets Released from Restrictions	<u>190,892</u>	<u>40,867</u>
Total Revenue and Reclassifications	<u>943,915</u>	<u>682,037</u>
Expenses:		
Program services	728,340	580,834
Support Services:		
General and administrative	143,354	141,565
Fundraising	31,083	22,677
Total Support Services	<u>174,437</u>	<u>164,242</u>
Total Expenses	<u>902,777</u>	<u>745,076</u>
Increase (Decrease) in Unrestricted Net Assets	<u>41,138</u>	<u>(63,039)</u>
Temporarily Restricted Net Assets:		
Contributions and grants	172,989	61,886
United Way	6,010	4,752
Net assets released from restrictions	<u>(190,892)</u>	<u>(40,867)</u>
Increase (Decrease) in Temporarily Restricted Net Assets	<u>(11,893)</u>	<u>25,771</u>
Increase (Decrease) in Net Assets	29,245	(37,268)
Net Assets, beginning of year	<u>437,855</u>	<u>475,123</u>
Net Assets, end of year	<u>\$ 467,100</u>	<u>\$ 437,855</u>

The accompanying notes are an integral part of these financial statements.

CATHOLIC CHARITIES OF THE DIOCESE OF LEXINGTON, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Support Services</u>				
	Program Services	General and Administrative	Fundraising	Total Support Services	Total
Salaries	\$ 258,770	\$ 94,612	\$ -	\$ 94,612	\$ 353,382
Employee benefits	52,009	11,204	-	11,204	63,213
Payroll taxes	18,487	7,205	-	7,205	25,692
Legal, accounting and other professional services	21,425	2,653	2,263	4,916	26,341
Program expenses	235,015	-	-	-	235,015
Insurance	3,797	816	-	816	4,613
Professional development	708	130	-	130	838
Event expenses	-	-	25,451	25,451	25,451
Office expenses and telephone	11,960	1,157	904	2,061	14,021
Occupancy expense	65,505	20,545	-	20,545	86,050
Equipment expenses	1,492	174	134	308	1,800
Printing and publications	2,711	336	488	824	3,535
Advertising	40,356	124	1,706	1,830	42,186
Travel and meetings	13,415	1,875	90	1,965	15,380
Organization dues	2,240	460	-	460	2,700
Depreciation and amortization	-	1,752	-	1,752	1,752
Miscellaneous	450	311	47	358	808
Total Expenses	<u>\$ 728,340</u>	<u>\$ 143,354</u>	<u>\$ 31,083</u>	<u>\$ 174,437</u>	<u>\$ 902,777</u>
Percentage of Total Expenses	<u>80.68%</u>	<u>15.88%</u>	<u>3.44%</u>	<u>19.32%</u>	<u>100.00%</u>

The accompanying notes are an integral part of these financial statements.

CATHOLIC CHARITIES OF THE DIOCESE OF LEXINGTON, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012

	Support Services				
	Program Services	General and Administrative	Fundraising	Total Support Services	Total
Salaries	\$ 273,435	\$ 96,024	\$ -	\$ 96,024	\$ 369,459
Employee benefits	52,322	6,333	-	6,333	58,655
Payroll taxes	19,593	7,033	-	7,033	26,626
Legal, accounting and other professional services	19,110	2,599	1,152	3,751	22,861
Program expenses	66,687	3,531	-	3,531	70,218
Insurance	2,221	561	-	561	2,782
Professional development	1,936	353	-	353	2,289
Event expenses	42	-	18,856	18,856	18,898
Office expenses and telephone	10,368	1,585	450	2,035	12,403
Occupancy expense	68,245	18,480	-	18,480	86,725
Equipment expenses	569	9	-	9	578
Printing and publications	2,267	145	1,101	1,246	3,513
Advertising	46,418	198	1,118	1,316	47,734
Travel and meetings	15,055	1,837	-	1,837	16,892
Organization dues	1,789	320	-	320	2,109
Depreciation and amortization	-	2,324	-	2,324	2,324
Miscellaneous	777	233	-	233	1,010
Total Expenses	<u>\$ 580,834</u>	<u>\$ 141,565</u>	<u>\$ 22,677</u>	<u>\$ 164,242</u>	<u>\$ 745,076</u>
Percentage of Total Expenses	<u>77.96%</u>	<u>19.00%</u>	<u>3.04%</u>	<u>22.04%</u>	<u>100.00%</u>

The accompanying notes are an integral part of these financial statements.

CATHOLIC CHARITIES OF THE DIOCESE OF LEXINGTON, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 29,245	\$ (37,268)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided (Used) by Operating Activities:		
Depreciation and amortization	1,752	2,324
Realized and unrealized investment (gains) losses	7,107	-
Change in operating assets and liabilities:		
Accounts receivable	(11,011)	185
Interest receivable	-	358
Grants receivable	(3,915)	1,678
Accounts payable	257	(11,599)
Accrued expenses and withholdings	(272)	3,312
Adoption escrow	(10,558)	23,635
	<u>12,605</u>	<u>(17,375)</u>
Net Cash Provided (Used) by Operating Activities		
Cash Flows from Investing Activities:		
Purchase of fixed assets	-	(2,213)
Distributions from (purchase of) investments, net	(75,873)	(8,635)
	<u>(75,873)</u>	<u>(10,848)</u>
Net Cash Provided (Used) by Investing Activities		
Net Increase (Decrease) in Cash	(63,268)	(28,223)
Cash and Cash Equivalents, beginning of year	212,018	240,241
Cash and Cash Equivalents, end of year	<u>\$ 148,750</u>	<u>\$ 212,018</u>

The accompanying notes are an integral part of these financial statements.

CATHOLIC CHARITIES OF THE DIOCESE OF LEXINGTON, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

Note A - Summary of Significant Accounting Policies:

General Description - Catholic Charities of the Diocese of Lexington, Inc. (Catholic Charities), is a Kentucky non-profit organization established to serve people of all backgrounds in the fifty counties of the Catholic Diocese of Lexington, Kentucky. The agency offers assistance in the following areas: counseling, emergency assistance, pregnancy counseling and adoption assistance. Catholic Charities is funded by the Catholic Diocese of Lexington, two United Way organizations (Bluegrass and Eastern Kentucky), the Dioceses of Louisville, Owensboro and Covington (for Opportunities for Life), contributions and fees for services which are based upon the client's ability to pay. Catholic Charities operates under the direction of a corporate member, the Bishop of the Catholic Diocese of Lexington, and a fifteen member community board.

Basis of Accounting - The financial statements of Catholic Charities have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when they are earned and expenses are recognized when they are incurred. Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from these estimates.

Financial Statement Presentation - Catholic Charities reports information regarding its financial position and activities according to three classes of net assets:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations or funds which have been designated for a specific purpose by the Board of Directors.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that can be fulfilled by actions of Catholic Charities pursuant to those stipulations or that expire by the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that the assets be maintained permanently by Catholic Charities. Generally, the donor of such assets permits Catholic Charities to use all or part of the income earned on the assets.

Statements of Cash Flows - For purposes of the Statements of Cash Flows, Catholic Charities considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Money market funds held in investment accounts have been excluded.

Accounts Receivable - Accounts receivable is reported net of any estimated losses due to uncollectible accounts. Catholic Charities considers a receivable to be past due or delinquent when an account has been outstanding for more than 90 days. The allowance for doubtful accounts is maintained at a level which, in Management's judgment, is adequate to absorb potential losses from uncollectible receivables. As of June 30, 2013 and 2012, management deemed receivables to be fully collectible. Consequently, no allowance for doubtful accounts has been recorded in Catholic Charities' Statements of Financial Position as of June 30, 2013 and 2012.

Restricted Cash - As part of its mission, Catholic Charities services individuals in need of emergency relief (payment of rent, utilities, toiletries, etc.). Funds for these services are maintained in a separate account along with contributions restricted by donors for a specific purpose.

Continued

CATHOLIC CHARITIES OF THE DIOCESE OF LEXINGTON, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

Note A - Summary of Significant Accounting Policies (Continued):

Donated Goods and Services - Volunteers have donated significant amounts of time for the Organization's fundraising activities. No amount has been included in the accompanying financial statements for these services as the value could not be determined. In addition, the Organization received donated goods and services for fundraising events in the amount of \$12,345 for the year ended June 30, 2013 (\$9,298 for 2012).

Investments - Catholic Charities carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values as determined by quoted market prices at the end of their fiscal year. Money market funds are carried at cost which approximates fair value. Unrealized gains and losses are included in the changes in net assets in the accompanying Statements of Activities. Included in investments are funds required to be maintained separately for adoption services.

Income Taxes - Catholic Charities of the Diocese of Lexington, Inc., is a part of the Catholic Diocese of Lexington which is exempt from federal income tax under provisions of Section 501(c)(3) of the Internal Revenue Code.

Catholic Charities is not aware of any activities that would jeopardize its tax exempt status and is not aware of any activities that are subject to tax on unrelated business income, excise or other taxes. As of June 30, 2013, there are no identified uncertain tax positions. As a church-related entity, Catholic Charities does not file a Form 990 with the Internal Revenue Service.

Property and Equipment - Catholic Charities capitalizes purchases greater than \$2,500 with an estimated useful life greater than one year. Property and equipment are stated at cost or, in the case of donated property, at the fair market value at the date of the gift. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from 3 to 40 years. The cost of repairs and maintenance are expensed as incurred.

Grant Revenue - Catholic Charities receives grants to provide pregnancy counseling to women in need of assistance as well as emergency services such as temporary housing, utilities and repairs for qualified individuals. Income from grants is recorded in the period to which the grants apply.

Contributions - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

Concentration of Credit Risk - Catholic Charities provides credit, in the normal course of business, to its clients and granting agencies. Generally, no collateral or other security is required to support these receivables. Although, Catholic Charities is directly affected by economic conditions in the geographic area, management does not believe significant credit risk exists as of June 30, 2013 and 2012.

Continued

CATHOLIC CHARITIES OF THE DIOCESE OF LEXINGTON, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

Note A - Summary of Significant Accounting Policies (Continued):

Reclassifications - Certain amounts presented for the prior year have been reclassified to conform to the presentation used in the current year.

Note B - Fair Value of Financial Instruments:

For financial statement reporting purposes, fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Organization's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

A fair value hierarchy has been established for financial reporting purposes which requires the Organization to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels within its hierarchy that may be used to measure fair value:

Level 1 Inputs: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 Inputs: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 Inputs: Significant unobservable inputs that reflect the Organization's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes input from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The fair values of Catholic Charities' investments are based on quoted market values. Catholic Charities did not hold financial instruments for trading purposes at June 30, 2013 and 2012.

The fair value of Catholic Charities other financial instruments are based on estimates. These estimates are made at a specific point in time based on relevant market information and information about the financial instrument. These estimates are subjective in nature, involve matters of judgment, and, therefore, cannot be determined with precision. Estimated fair values are significantly affected by the assumptions used.

The carrying amounts of cash and cash equivalents, receivables, payables, accrued expenses and other liabilities as reported in the accompanying Statements of Financial Position approximate their fair values due to their short-term maturity, to being readily converted to a known amount, or other observable inputs. As such, these instruments are measured using Level 1 inputs.

CATHOLIC CHARITIES OF THE DIOCESE OF LEXINGTON, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

Note C - Advertising:

Catholic Charities uses advertising to promote its counseling and adoption services. The costs for advertising are expensed as incurred. Advertising costs were \$42,186 and \$47,734 for the years ended June 30, 2013 and 2012, respectively.

Note D - Investments:

Catholic Charities invests board designated and restricted funds in a master investment trust managed by the Catholic Diocese of Lexington. The master trust is comprised of investments in money market funds, U.S. Government Securities, Corporate Stocks and Bonds and is maintained in accordance with the investment policy stipulated by the Finance Council of the Diocese. Guaranteed interest of 2.0 - 3.0% was received on the invested funds through March 31, 2012. Beginning April 1, 2012, investments were segregated within the master trust account of the Catholic Diocese of Lexington and earnings on investments became subject to market fluctuations in the underlying investments. Total investment earnings as of June 30, 2013, were \$7,173 (\$9,418 in 2012).

The current spending policy for endowment investments is to allow designated and restricted funds to grow at a guaranteed rate of return until accumulated earnings are designated by the Board of Directors for a particular purpose.

Generally Accepted Accounting Principles provide guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). UPMIFA, which serves as a model act for states to modernize their laws governing donor-restricted endowment funds, was enacted by Kentucky in March 2010.

Catholic Charities has interpreted this law as requiring the preservation of the fair value of corpus of a donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of any subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Endowment funds consisted of permanently restricted investments of \$56,896 as of June 30, 2013 and 2012.

Continued

CATHOLIC CHARITIES OF THE DIOCESE OF LEXINGTON, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

Note D - Investments (Continued):

A reconciliation of program and endowment investments as of June 30, 2013 and 2012, is as follows:

2013

	<u>Unrestricted</u>		<u>Temporarily</u> <u>Restricted</u>	<u>Endowment</u> <u>Permanently</u> <u>Restricted</u>	<u>Total</u> <u>Investments</u>
	<u>Operating</u>	<u>Board</u> <u>Designated</u>			
Investments, beginning of year	\$34,323	\$120,775	\$ 16,471	\$ 56,896	\$ 228,465
Increase (decrease) in investments due to:					
Investment income received, net of fees	5,773	-	-	-	5,773
Investment appreciation (depreciation) (realized and unrealized)	(6,049)	-	-	-	(6,049)
Contributions	7,100	75,000	-	-	82,100
Withdrawals	-	-	(2,500)	-	(2,500)
Investments, end of year	<u>\$41,147</u>	<u>\$195,775</u>	<u>\$ 13,971</u>	<u>\$ 56,896</u>	<u>\$ 307,789</u>

2012

	<u>Unrestricted</u>		<u>Temporarily</u> <u>Restricted</u>	<u>Endowment</u> <u>Permanently</u> <u>Restricted</u>	<u>Total</u> <u>Investments</u>
	<u>Operating</u>	<u>Board</u> <u>Designated</u>			
Investments, beginning of year	\$41,823	\$120,775	\$ 23,971	\$ 56,896	\$ 243,465
Increase (decrease) in investments due to:					
Investment income received, net of fees	9,418	-	-	-	9,418
Investment appreciation (depreciation) (realized and unrealized)	-	-	-	-	-
Contributions	-	-	-	-	-
Withdrawals	(16,918)	-	(7,500)	-	(24,418)
Investments, end of year	<u>\$34,323</u>	<u>\$120,775</u>	<u>\$ 16,471</u>	<u>\$ 56,896</u>	<u>\$ 228,465</u>

Adoption escrow investments as of June 30, 2013 and 2012, were \$58,452 and \$69,010, respectively.

Continued

CATHOLIC CHARITIES OF THE DIOCESE OF LEXINGTON, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

Note D - Investments (Continued):

Total investments are presented in the financial statements in the aggregate at fair market value and are comprised of the following:

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Master Investment Trust:			
Operating	\$ 41,147	\$ -	\$ -
Escrow	58,452	-	-
Board Designated	195,775	-	-
Temporarily Restricted	13,971	-	-
Permanantly Restricted	56,896	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Investments	<u>\$ 366,241</u>	<u>\$ -</u>	<u>\$ -</u>

Note E - Board Designated Net Assets:

The Board of Directors has designated \$195,775 (\$120,775 as of June 30, 2012) of its operating funds as a cash reserve to be invested in an interest bearing account.

Note F - Temporarily Restricted Net Assets:

Temporarily restricted net assets are available for the following purposes:

	2013	2012
Funds restricted for Emergency Services - VIC	\$ 6,854	\$ 8,511
Funds restricted by Pax Christi Church	813	288
Funds restricted by St. Peter Claver Church	421	436
Funds restricted by St. Paul's Church	2,567	2,717
Funds restricted by St. Peter's Church	3,190	2,080
Funds restricted for St. Vincent de Paul - CCK Chapter	708	1,539
Funds restricted by Mary Queen of the Holy Rosary Church	10,325	5,211
Funds restricted by St. Vincent de Paul - MQHR Chapter	-	456
Funds restricted for the Sanctuary Fund	3,405	2,649
Funds restricted by St. Vincent de Paul - SEAS	569	569
Funds restricted for Disaster Relief	10,535	35,176
Lyans Trust Fund Investment	13,971	16,471
Restricted Toyota grant funds	-	875
Funds restricted for toiletries	66	36
Funds restricted for Prison Ministry	594	1,648
Funds restricted for Giving Tree	450	-
Funds restricted for rent and utilities	1,916	-
Funds restricted for Lasting Change	2,710	-
Funds restricted for Rachel's Vinyard	7,675	-
	<u> </u>	<u> </u>
	<u>\$ 66,769</u>	<u>\$ 78,662</u>

CATHOLIC CHARITIES OF THE DIOCESE OF LEXINGTON, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

Note G - Permanently Restricted Net Assets:

Permanently restricted net assets include the following:

	<u>2013</u>	<u>2012</u>
Memorial Trust Fund Investment	<u>\$ 56,896</u>	<u>\$ 56,896</u>

Note H - Operating Leases:

The Organization leases office space at multiple locations under month-to-month arrangements. The leases call for monthly rental of approximately \$7,200 (\$7,200 in 2012). Total rent expense for June 30, 2013 and 2012, was \$86,050 and \$86,725, respectively.

Note I - Related Party Transactions:

For the year ended June 30, 2013, Catholic Charities received approximately 63% of its annual revenue and other support from the Catholic Dioceses of Lexington, Louisville, Covington and Owensboro (68% for the year ended June 30, 2012). For the years ended June 30, 2013 and 2012, Catholic Charities received \$315,000 from the Catholic Diocese of Lexington for rent related to its operations (\$84,000) and an unrestricted contribution for general operating support (\$231,000). In addition, for the year ended June 30, 2013, the Organization received grants of \$269,236 from the Catholic Dioceses of Lexington, Louisville, Covington and Owensboro related to its Respect Life, Opportunities for Life and Emergency Services programs (\$162,024 for the year ended June 30, 2012).

Note J - Retirement Plan:

Catholic Charities participates in a multi-employer pension plan with the Catholic Diocese of Covington and other unrelated employers. The plan covers all eligible lay employees who elect to participate. Benefits are based on participants' years of service and annual compensation, as defined in the plan. Eligibility requirements allow all employees who have reached age 21 and work 15 or more hours per week and 5 or more months per year to participate in the plan. Participant contributions are required. The employees of Catholic Charities represent only a small portion of the total participants in the plan, and as a result disclosures pertaining to the obligations and funded status of the entire plan would not be meaningful, and accordingly, are not included.

The Organization also maintains a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers employees of the Organization with three years of service. The plan is no longer accepting new participants; however, employees previously participating in the plan are permitted to continue to make contributions to the plan. The Organization contributes 3.25% of gross salaries for qualified employees who contribute at least 3% of gross salaries to the plan. Employees can make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code.

Employer contributions and pension costs related to these plans for the years ended June 30, 2013 and 2012, respectively, totaled \$9,132 and \$8,055.

CATHOLIC CHARITIES OF THE DIOCESE OF LEXINGTON, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

Note K - Concentrations of Credit Risk Arising From Cash Deposits in Excess of Insured Limits:

Catholic Charities maintains cash balances at three financial institutions located in Central and Eastern Kentucky. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2013 and 2012, the Organization had no uninsured cash balances.

Note L - Functional Expenses:

The costs of providing various programs and activities have been allocated among the programs and supporting services benefited.

Note M - Bequest:

Catholic Charities was named as a beneficiary of an estate. Amounts from this bequest have been recognized when the funds or property were received. During the year ended June 30, 2013, Catholic Charities received distributions from the estate of \$75,000 for the general support of program activities. Catholic Charities expects to receive additional distributions of approximately \$75,000 when the estate is settled.

Note N - Date of Management's Review:

Subsequent events have been evaluated through October 17, 2013, which is the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

CATHOLIC CHARITIES OF THE DIOCESE OF LEXINGTON, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

	Program Services						Support Services			Schedule A
	Prestonsburg Office	Adoption Services	Pregnancy Counseling	Emergency Services	Total					
					Counseling	Program Services	General and Administrative	Fundraising	Support Services	
Salaries	\$ 36,656	\$43,694	\$ 81,427	\$ 44,384	\$ 52,609	\$ 258,770	\$ 94,612	\$ -	\$ 94,612	\$ 353,382
Employee benefits	8,061	7,397	15,815	9,380	11,356	52,009	11,204	-	11,204	63,213
Payroll taxes	2,681	3,126	6,223	2,187	4,270	18,487	7,205	-	7,205	25,692
Legal, accounting and other professional services	2,328	6,464	4,722	5,255	2,656	21,425	2,653	2,263	4,916	26,341
Program expenses	-	1,147	28,156	205,712	-	235,015	-	-	-	235,015
Insurance	622	549	549	1,038	1,039	3,797	816	-	816	4,613
Professional development	303	-	-	-	405	708	130	-	130	838
Event expenses	-	-	-	-	-	-	-	25,451	25,451	25,451
Office expenses and telephone	2,367	554	7,032	1,637	370	11,960	1,157	904	2,061	14,021
Occupancy expense	1,200	10,273	16,495	14,798	22,739	65,505	20,545	-	20,545	86,050
Equipment expenses	597	54	107	367	367	1,492	174	134	308	1,800
Printing and publications	295	335	1,435	352	294	2,711	336	488	824	3,535
Advertising	274	3,094	35,936	275	777	40,356	124	1,706	1,830	42,186
Travel and meetings	3,136	1,567	5,646	2,250	816	13,415	1,875	90	1,965	15,380
Organization dues	308	310	702	610	310	2,240	460	-	460	2,700
Depreciation and amortization	-	-	-	-	-	-	1,752	-	1,752	1,752
Miscellaneous	-	-	-	450	-	450	311	47	358	808
Total Expenses	\$ 58,828	\$78,564	\$204,245	\$ 288,695	\$ 98,008	\$ 728,340	\$ 143,354	\$ 31,083	\$ 174,437	\$ 902,777
Percentage of Total Expenses	6.52%	8.70%	22.62%	31.98%	10.86%	80.68%	15.88%	3.44%	19.32%	100.00%

See auditors' report.

CATHOLIC CHARITIES OF THE DIOCESE OF LEXINGTON, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012

Schedule B

	Program Services					Support Services		
	Prestonsburg Office	Adoption Services	Pregnancy Counseling	Emergency Services	Counseling	Total Program Services	General and Administrative	Total Support Services
Salaries	\$ 34,821	\$ 44,173	\$ 82,617	\$ 39,747	\$ 72,077	\$ 273,435	\$ 96,024	\$ 96,024
Employee benefits	8,215	8,199	15,067	9,697	11,144	52,322	6,333	6,333
Payroll taxes	2,641	3,057	6,140	2,832	4,923	19,593	7,033	7,033
Legal, accounting and other professional services	2,558	2,591	5,980	5,173	2,808	19,110	2,599	1,152
Program expenses	44	197	20,614	45,673	159	66,687	3,531	3,531
Insurance	306	306	306	607	696	2,221	561	561
Professional development	261	300	244	256	875	1,936	353	353
Event expenses	-	-	-	42	-	42	-	-
Office expenses and telephone	1,762	289	6,546	1,347	424	10,368	1,585	18,856
Occupancy expense	1,200	9,310	18,480	16,575	22,680	68,245	18,480	450
Equipment expenses	470	9	18	63	9	569	9	9
Printing and publications	394	303	775	371	424	2,267	145	1,101
Advertising	231	3,601	40,713	265	1,608	46,418	198	1,118
Travel and meetings	3,478	3,295	3,704	2,845	1,733	15,055	1,837	-
Organization dues	200	200	689	500	200	1,789	320	-
Depreciation and amortization	-	-	-	-	-	-	2,324	2,324
Miscellaneous	-	-	-	227	550	777	233	233
Total Expenses	\$ 56,581	\$ 75,830	\$ 201,893	\$ 126,220	\$ 120,310	\$ 580,834	\$ 141,565	\$ 164,242
Percentage of Total Expenses	7.59%	10.18%	27.10%	16.94%	16.15%	77.96%	19.00%	22.04%
								100.00%

See auditors' report.