

CATHOLIC CHARITIES
OF THE DIOCESE OF LEXINGTON, INC.

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2016 AND 2015

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.
Lexington, Kentucky

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, 2016 and 2015, 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, 2016 and 2015, 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. The Schedules of Functional Expenses by Activity on pages 17 and 18 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 audits 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 20, 2016

CATHOLIC CHARITIES OF THE DIOCESE OF LEXINGTON, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Current Assets:		
Cash:		
Operating	\$ 82,930	\$ 104,278
Restricted	90,350	86,300
Receivables:		
Accounts	15,922	4,200
Grants	3,750	14,193
Total Current Assets	<u>192,952</u>	<u>208,971</u>
Property and Equipment:		
Leasehold improvements	7,290	7,290
Furniture and equipment	18,519	18,519
Total Property and Equipment	25,809	25,809
Less accumulated depreciation	<u>25,654</u>	<u>24,666</u>
Net Property and Equipment	<u>155</u>	<u>1,143</u>
Investments and Other Assets:		
Investments - program and endowment	<u>365,053</u>	<u>313,135</u>
Total Investments and Other Assets	<u>365,053</u>	<u>313,135</u>
Total Assets	<u>\$ 558,160</u>	<u>\$ 523,249</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ 3,003	\$ 5,461
Payroll withholdings payable	283	654
Accrued expenses	12,422	11,212
Total Current Liabilities	15,708	17,327
Adoption Escrow	<u>41,665</u>	<u>32,055</u>
Total Liabilities	<u>57,373</u>	<u>49,382</u>
Net Assets:		
Unrestricted:		
Operating	185,460	147,332
Board designated	195,775	195,775
Temporarily restricted	62,656	73,864
Permanently restricted	56,896	56,896
Total Net Assets	<u>500,787</u>	<u>473,867</u>
Total Liabilities and Net Assets	<u>\$ 558,160</u>	<u>\$ 523,249</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, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Unrestricted Net Assets:		
Revenue:		
Contributions and grants	\$ 415,097	\$ 352,872
Special events	81,017	72,018
Fees for services	93,744	79,385
Rent received	12,000	8,000
Realized and unrealized investment gains (losses)	2,238	(1,791)
Interest income	<u>7,227</u>	<u>6,262</u>
Total Revenue	612,190	516,746
Net Assets Released from Restrictions	<u>103,709</u>	<u>99,447</u>
Total Revenue and Reclassifications	<u>715,899</u>	<u>616,193</u>
Expenses:		
Program services	<u>474,674</u>	<u>481,086</u>
Support Services:		
General and administrative	158,377	152,804
Fundraising	<u>44,720</u>	<u>35,410</u>
Total Support Services	<u>203,097</u>	<u>188,214</u>
Total Expenses	<u>677,771</u>	<u>669,300</u>
Increase (Decrease) in Unrestricted Net Assets	<u>38,128</u>	<u>(53,107)</u>
Temporarily Restricted Net Assets:		
Contributions and grants	92,501	113,533
Net assets released from restrictions	<u>(103,709)</u>	<u>(99,447)</u>
Increase (Decrease) in Temporarily Restricted Net Assets	<u>(11,208)</u>	<u>14,086</u>
Increase (Decrease) in Net Assets	26,920	(39,021)
Net Assets, beginning of year	<u>473,867</u>	<u>512,888</u>
Net Assets, end of year	<u>\$ 500,787</u>	<u>\$ 473,867</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, 2016

	<u>Support Services</u>				
	Program Services	General and Administrative	Fundraising	Total Support Services	Total
Salaries	\$ 202,513	\$ 103,234	\$ -	\$ 103,234	\$ 305,747
Employee benefits	48,703	12,209	-	12,209	60,912
Payroll taxes	14,334	7,784	-	7,784	22,118
Legal, accounting and other professional services	31,384	3,399	2,871	6,270	37,654
Program expenses	69,683	-	-	-	69,683
Insurance	5,316	1,143	-	1,143	6,459
Professional development	320	1,220	-	1,220	1,540
Event expenses	140	28	36,288	36,316	36,456
Office expenses and telephone	5,357	703	1,960	2,663	8,020
Occupancy expense	64,200	21,000	-	21,000	85,200
Equipment expenses	1,268	1,303	-	1,303	2,571
Printing and publications	3,356	507	2,773	3,280	6,636
Advertising	13,402	105	312	417	13,819
Travel and meetings	13,565	3,981	38	4,019	17,584
Organization dues	1,133	297	-	297	1,430
Depreciation and amortization	-	988	-	988	988
Miscellaneous	-	476	478	954	954
Total Expenses	<u>\$ 474,674</u>	<u>\$ 158,377</u>	<u>\$ 44,720</u>	<u>\$ 203,097</u>	<u>\$ 677,771</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, 2015

	<u>Support Services</u>				
	Program Services	General and Administrative	Fundraising	Total Support Services	Total
Salaries	\$ 225,548	\$ 99,045	\$ -	\$ 99,045	\$ 324,593
Employee benefits	51,406	12,103	-	12,103	63,509
Payroll taxes	15,537	7,595	-	7,595	23,132
Legal, accounting and other professional services	24,352	5,410	6,571	11,981	36,333
Program expenses	54,346	48	-	48	54,394
Insurance	3,714	404	-	404	4,118
Professional development	610	715	-	715	1,325
Event expenses	-	-	25,722	25,722	25,722
Office expenses and telephone	6,052	996	1,334	2,330	8,382
Occupancy expense	64,314	20,886	-	20,886	85,200
Equipment expenses	754	99	-	99	853
Printing and publications	1,867	313	1,362	1,675	3,542
Advertising	16,432	48	228	276	16,708
Travel and meetings	15,840	3,326	42	3,368	19,208
Organization dues	300	130	-	130	430
Depreciation and amortization	-	1,646	-	1,646	1,646
Miscellaneous	14	40	151	191	205
	<u>14</u>	<u>40</u>	<u>151</u>	<u>191</u>	<u>205</u>
Total Expenses	<u>\$ 481,086</u>	<u>\$ 152,804</u>	<u>\$ 35,410</u>	<u>\$ 188,214</u>	<u>\$ 669,300</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, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 26,920	\$ (39,021)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided (Used) by Operating Activities:		
Depreciation and amortization	988	1,646
Realized and unrealized investment (gains) losses	(2,238)	1,791
Change in operating assets and liabilities:		
Accounts receivable	(11,722)	(4,142)
Grants receivable	10,443	(1,129)
Other receivables	-	10,000
Prepaid expenses	-	1,737
Accounts payable	(2,458)	(3,338)
Accrued expenses and withholdings	839	3,149
Adoption escrow	<u>9,610</u>	<u>(50,126)</u>
Net Cash Provided (Used) by Operating Activities	<u>32,382</u>	<u>(79,433)</u>
Cash Flows from Investing Activities:		
Distributions from (purchase of) investments, net	<u>(49,680)</u>	<u>(6,151)</u>
Net Cash Provided (Used) by Investing Activities	<u>(49,680)</u>	<u>(6,151)</u>
Net Increase (Decrease) in Cash	(17,298)	(85,584)
Cash and Cash Equivalents, beginning of year	<u>190,578</u>	<u>276,162</u>
Cash and Cash Equivalents, end of year	<u>\$ 173,280</u>	<u>\$ 190,578</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, 2016 AND 2015

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), 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 twelve 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.

Use of Estimates - The preparation of financial statements requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses during the reporting period. 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, 2016 and 2015, management deemed receivables to be fully collectible. Consequently, no allowance for doubtful accounts has been recognized.

Continued

CATHOLIC CHARITIES OF THE DIOCESE OF LEXINGTON, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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

Adoption Revenue – The agency recognizes adoption revenue at termination of parental rights, which occurs at least three months before finalization. Funds received are recorded as an escrow liability until the termination of parental rights occurs.

Compensated Absences - Catholic Charities has a vacation and sick pay policy for full-time employees. A liability of \$12,422 has been recognized as of June 30, 2016 (\$11,212 as of June 30, 2015), to estimate the Organization's obligation under this policy.

Restricted Cash - As part of its mission, Catholic Charities assists individuals in need of emergency services (payment of rent, utilities, toiletries, etc.). Funds for these services as well as contributions restricted by donors for a specific purpose and funds received for adoptions which are not yet complete are maintained in separate bank accounts.

Donated Goods and Services - Volunteers have donated significant amounts of time for the Catholic Charities' fundraising activities. No amount has been included in the accompanying financial statements for these services as the value could not be determined. In addition, Catholic Charities received donated goods and services for fundraising events in the amount of \$3,850 for the year ended June 30, 2016 (\$3,000 for the year ended June 30, 2015).

Investments - Catholic Charities recognizes investments in marketable and debt securities with readily determinable fair values at their market values as determined by quoted prices at the end of their fiscal year. Money market funds and related party debt securities 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.

Income Taxes - Catholic Charities of the Diocese of Lexington, Inc., is a division 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.

As of June 30, 2016, there are no uncertain tax positions and 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.

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 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. Any unexpended grant funds remaining at fiscal year-end are considered temporarily restricted.

Continued

CATHOLIC CHARITIES OF THE DIOCESE OF LEXINGTON, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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

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, 2016 and 2015.

Reclassifications - Certain amounts presented for the prior year have been reclassified to conform with 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 Catholic Charities' 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.

Continued

CATHOLIC CHARITIES OF THE DIOCESE OF LEXINGTON, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

Note B - Fair Value of Financial Instruments (Continued):

The fair values of Catholic Charities' investments are based on quoted market values or cost which approximates fair market value. Catholic Charities did not hold financial instruments for trading purposes at June 30, 2016 and 2015.

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, accounts receivable, grants receivable, prepaid expenses, other assets, accounts payable, accrued expenses and adoption escrow liability 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.

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 \$13,819 and \$16,708 for the years ended June 30, 2016 and 2015, respectively.

Note D - Investments:

Catholic Charities invests board designated, restricted, and excess operating 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, mutual funds and related party debt securities and is maintained in accordance with the investment policy stipulated by the Finance Council of the Diocese. Investments are segregated within the master trust account of the Catholic Diocese of Lexington and earnings on investments are subject to market fluctuations in the underlying investments. Total investment earnings, including interest income and realized/unrealized gains and losses, were \$9,359 and \$4,360 for the years ended June 30, 2016 and 2015, respectively.

The current spending policy for endowment investments is to allow designated and restricted funds to grow at the rate of return generated by the master trust 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.

Continued

CATHOLIC CHARITIES OF THE DIOCESE OF LEXINGTON, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

Note D - Investments (Continued):

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, Catholic Charities 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, 2016 and 2015.

A reconciliation of program and endowment investments as of June 30, 2016 and 2015, is as follows:

	<u>2016</u>				
	<u>Unrestricted</u>			<u>Endowment</u>	
	<u>Operating</u>	<u>Board</u>	<u>Temporarily</u>	<u>Permanently</u>	<u>Total</u>
		<u>Designated</u>	<u>Restricted</u>	<u>Restricted</u>	<u>Investments</u>
Investments, beginning of year	\$46,493	\$195,775	\$ 13,971	\$ 56,896	\$ 313,135
Increase (decrease) in investments due to:					
Investment income received, net of fees	7,122	-	-	-	7,122
Investment appreciation (depreciation) (realized and unrealized)	2,237	-	-	-	2,237
Contributions	42,559	-	-	-	42,559
Withdrawals	-	-	-	-	-
Investments, end of year	<u>\$98,411</u>	<u>\$195,775</u>	<u>\$ 13,971</u>	<u>\$ 56,896</u>	<u>\$ 365,053</u>
	<u>2015</u>				
	<u>Unrestricted</u>			<u>Endowment</u>	
	<u>Operating</u>	<u>Board</u>	<u>Temporarily</u>	<u>Permanently</u>	<u>Total</u>
		<u>Designated</u>	<u>Restricted</u>	<u>Restricted</u>	<u>Investments</u>
Investments, beginning of year	\$42,133	\$195,775	\$ 13,971	\$ 56,896	\$ 308,775
Increase (decrease) in investments due to:					
Investment income received, net of fees	6,151	-	-	-	6,151
Investment appreciation (depreciation) (realized and unrealized)	(1,791)	-	-	-	(1,791)
Contributions	-	-	-	-	-
Withdrawals	-	-	-	-	-
Investments, end of year	<u>\$46,493</u>	<u>\$195,775</u>	<u>\$ 13,971</u>	<u>\$ 56,896</u>	<u>\$ 313,135</u>

Continued

CATHOLIC CHARITIES OF THE DIOCESE OF LEXINGTON, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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:

	<u>2016</u>		
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Master Investment Trust:			
Cash and equivalents	\$ 56,766	\$ -	\$ -
Fixed Income Securities:			
US Treasury	9,856	-	-
Mutual funds	165,734	-	-
Corporate	13,251	-	-
Agency	20,991	-	-
Related party notes	-	98,455	-
Total Investments	<u>\$ 266,598</u>	<u>\$ 98,455</u>	<u>\$ -</u>
	<u>2015</u>		
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Master Investment Trust:			
Cash and equivalents	\$ 58,838	\$ -	\$ -
Fixed Income Securities:			
US Treasury	19,853	-	-
Mutual funds	114,795	-	-
Corporate	14,999	-	-
Agency	17,035	-	-
Related party notes	-	87,615	-
Total Investments	<u>\$ 225,520</u>	<u>\$ 87,615</u>	<u>\$ -</u>

Note E - Board Designated Net Assets:

As of June 30, 2016 and 2015, the Board of Directors has designated \$195,775 of its operating funds as a cash reserve to be invested in an interest bearing account.

CATHOLIC CHARITIES OF THE DIOCESE OF LEXINGTON, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

Note F - Temporarily Restricted Net Assets:

Temporarily restricted net assets are available for the following purposes:

	<u>2016</u>	<u>2015</u>
Funds restricted for Emergency Services - VIC	\$ 6,845	\$ 6,874
Funds restricted by Pax Christi Church	250	773
Funds restricted by St. Peter Claver Church	735	2,064
Funds restricted by St. Paul's Church	444	948
Funds restricted by St. Peter's Church	-	356
Funds restricted for St. Vincent de Paul - CTK Chapter	341	341
Funds restricted by Mary Queen of the Holy Rosary Church	8,556	9,655
Funds restricted for the Sanctuary Fund	5,519	3,219
Funds restricted by St. Vincent de Paul - SEAS	569	569
Funds restricted for Disaster Relief	1,429	10,000
Lyans Trust Fund Investment	13,971	13,971
Funds restricted for toiletries	-	36
Funds restricted for Prison Ministry	832	1,024
Funds restricted for Giving Tree	450	450
Funds restricted for rent and utilities - United Way	984	1,834
Funds restricted for rent and utilities - EFSP	-	5,648
Funds restricted for rent and utilities - O'Neil Foundation	-	300
Funds restricted for rent and utilities - Toyota	1,488	1,623
Funds restricted for Rachel's Vineyard	4,899	1,823
Funds restricted for Summer Feeding	15,000	10,000
Funds restricted for SEAS Parish	344	2,356
	<u>\$ 62,656</u>	<u>\$ 73,864</u>

Note G - Permanently Restricted Net Assets:

Permanently restricted net assets include the following:

	<u>2016</u>	<u>2015</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 payments of approximately \$7,100. Total rent expense for June 30, 2016 and 2015, was \$85,200.

During the year ended June 30, 2016, the Organization agreed to sublease a portion of its office space to a related organization for a monthly rent of \$1,000 under an agreement which expires October 2016.

CATHOLIC CHARITIES OF THE DIOCESE OF LEXINGTON, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

Note I - Related Party Transactions:

For the year ended June 30, 2016, Catholic Charities received approximately 52% of its annual revenue and other support from the Catholic Diocese of Lexington and other related Catholic organizations. Catholic Charities received funds from the Catholic Diocese of Lexington for rent related to its operations (\$84,000) and an unrestricted contribution for general operating support (\$231,000) (\$84,000 and \$231,000, respectively, in 2015). In addition, for the year ended June 30, 2016, Catholic Charities received grants and contributions totaling \$48,582 from Catholic Charities USA, the Catholic Diocese of Lexington and various parishes of the Catholic Diocese of Lexington to support its Bridging the Gap, Emergency Services and Rachel's Vineyard programs (\$28,090 in 2015).

As an integrated auxiliary service of the Roman Catholic Diocese of Lexington, Catholic Charities is required to place its investments in a master trust account administered by the Diocese. A portion of the account is invested in notes receivable from related parties (see Note D) through the Diocesan Deposit and Loan Fund.

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. As a result, disclosures pertaining to the obligations and funded status of the entire plan would not be meaningful, and accordingly, are not included.

Catholic Charities also maintains a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers employees of Catholic Charities 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. Catholic Charities 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, 2016 and 2015, respectively, totaled \$11,907 and \$12,240.

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, 2016 and 2015, Catholic Charities had no uninsured cash balances.

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NOTES TO FINANCIAL STATEMENTS
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Note L - Functional Expenses:

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

Note M - Date of Management's Review:

Subsequent events have been evaluated through October 20, 2016, which is the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

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See auditors' report.

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