

**Catholic Charities,
Diocese of Venice, Inc.**

Financial Statements,
Supplemental Information and
Independent Auditor's Report
June 30, 2019 and 2018

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Independent Auditor's Report

The Board of Directors
Catholic Charities, Diocese of Venice, Inc.
Venice, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Catholic Charities, Diocese of Venice, Inc. (Catholic Charities), which comprise the statements of financial position as of June 30, 2019 and 2018, 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.

Auditor's 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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 Charities, Diocese of Venice, Inc. as of June 30, 2019 and 2018, and the results of its operations, changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter*Supplemental information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Revenues and Expenses - Lee County Funded Programs of Catholic Charities is not a required part of the financial statements. Such information is the responsibility of Catholic Charities' 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 audit 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.

Kukuing Barbunio & Co.

Sarasota, Florida
October 23, 2019

Catholic Charities, Diocese of Venice, Inc.

Statements of Financial Position

June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Current Assets:		
Cash and cash equivalents - without donor restrictions	\$ 1,713,788	\$ 1,174,748
Cash and cash equivalents - board designated	992,917	1,017,589
Cash and cash equivalents - purpose and time restricted	1,661,183	2,137,284
Cash and cash equivalents - perpetual in nature restricted	1,672	1,672
Total cash and cash equivalents	<u>4,369,560</u>	<u>4,331,293</u>
Contracts and grants receivable	121,722	397,321
Accounts receivable	50,270	68,605
Prepaid insurance and other expenses	<u>221,009</u>	<u>152,227</u>
Total current assets	4,762,561	4,949,446
Beneficial interest in gift annuities	45,102	76,255
Land, building and equipment, net	<u>7,258,009</u>	<u>7,441,288</u>
Total Assets	<u>\$ 12,065,672</u>	<u>\$ 12,466,989</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 91,609	\$ 71,573
Accrued expenses	239,178	255,605
Refundable advances	40,544	41,614
Current portion of long-term debt	<u>101,144</u>	<u>96,523</u>
Total current liabilities	472,475	465,315
Other Liabilities:		
Long-term debt, net of current portion	<u>534,707</u>	<u>635,427</u>
Total liabilities	<u>1,007,182</u>	<u>1,100,742</u>
Net Assets:		
Without donor restrictions:		
Undesignated	1,780,560	1,488,750
Board designated	992,917	1,017,589
Designated for land, building and equipment	<u>6,622,158</u>	<u>6,709,338</u>
Total net assets without donor restrictions	<u>9,395,635</u>	<u>9,215,677</u>
With donor restrictions:		
Purpose and time restrictions	1,661,183	2,137,284
Perpetual in nature	<u>1,672</u>	<u>13,286</u>
Total net assets with donor restrictions	<u>1,662,855</u>	<u>2,150,570</u>
Total net assets	<u>11,058,490</u>	<u>11,366,247</u>
Total Liabilities and Net Assets	<u>\$ 12,065,672</u>	<u>\$ 12,466,989</u>

See accompanying notes to financial statements.

Catholic Charities, Diocese of Venice, Inc.

Statement of Activities
Year Ended June 30, 2019
(With Summarized Totals for 2018)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Total</u>	<u>2018 Total</u>
Support:				
Diocese of Venice	\$ 1,659,996	\$ -	\$ 1,659,996	\$ 1,699,996
Contributions	1,939,580	244,078	2,183,658	3,326,145
Government grants and contracts	951,464	-	951,464	1,461,504
United Way grants	358,702	-	358,702	697,942
Catholic and other organizations	986,528	192,917	1,179,445	1,990,841
Other grants	704,478	208,035	912,513	896,590
Total support	<u>6,600,748</u>	<u>645,030</u>	<u>7,245,778</u>	<u>10,073,018</u>
Revenue:				
Program service fees	523,053	-	523,053	575,420
Interest and dividends	104,293	-	104,293	100,245
Change in value of gift annuities	(19,539)	(11,614)	(31,153)	(218)
Other income	6,185	-	6,185	18,326
Total revenue	<u>613,992</u>	<u>(11,614)</u>	<u>602,378</u>	<u>693,773</u>
Net assets released from restriction	<u>1,121,131</u>	<u>(1,121,131)</u>	<u>-</u>	<u>-</u>
Special events revenue	1,615,862	-	1,615,862	1,742,223
Less direct costs of special events	(488,250)	-	(488,250)	(546,680)
Net revenue from special events	<u>1,127,612</u>	<u>-</u>	<u>1,127,612</u>	<u>1,195,543</u>
Total support, revenue and reclassifications	<u>9,463,483</u>	<u>(487,715)</u>	<u>8,975,768</u>	<u>11,962,334</u>
Expenses:				
Program services	8,566,448	-	8,566,448	8,230,504
Management and general	393,933	-	393,933	372,135
Fund raising	345,144	-	345,144	368,470
Total expenses	<u>9,305,525</u>	<u>-</u>	<u>9,305,525</u>	<u>8,971,109</u>
Gain on disposal of assets	<u>22,000</u>	<u>-</u>	<u>22,000</u>	<u>300</u>
Change in net assets	179,958	(487,715)	(307,757)	2,991,525
Net assets at beginning of year	9,215,677	2,150,570	11,366,247	8,374,722
Net assets at end of year	<u>\$ 9,395,635</u>	<u>\$ 1,662,855</u>	<u>\$ 11,058,490</u>	<u>\$ 11,366,247</u>

See accompanying notes to financial statements.

Catholic Charities, Diocese of Venice, Inc.

Statement of Activities
Year Ended June 30, 2018
(With Summarized Totals for 2019)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2018 Total</u>	<u>2019 Total</u>
Support:				
Diocese of Venice	\$ 1,699,996	\$ -	\$ 1,699,996	\$ 1,659,996
Contributions	2,700,030	626,115	3,326,145	2,183,658
Government grants and contracts	1,461,504	-	1,461,504	951,464
United Way grants	691,075	6,867	697,942	358,702
Catholic and other organizations	1,693,262	297,579	1,990,841	1,179,445
Other grants	595,564	301,026	896,590	912,513
Total support	<u>8,841,431</u>	<u>1,231,587</u>	<u>10,073,018</u>	<u>7,245,778</u>
Revenue:				
Program service fees	575,420	-	575,420	523,053
Interest and dividends	100,245	-	100,245	104,293
Change in value of gift annuities	449	(667)	(218)	(31,153)
Other income	18,326	-	18,326	6,185
Total revenue	<u>694,440</u>	<u>(667)</u>	<u>693,773</u>	<u>602,378</u>
Net assets released from restrictions	<u>801,467</u>	<u>(801,467)</u>	<u>-</u>	<u>-</u>
Special events revenue	1,742,223	-	1,742,223	1,615,862
Less direct costs of special events	(546,680)	-	(546,680)	(488,250)
Net revenue from special events	<u>1,195,543</u>	<u>-</u>	<u>1,195,543</u>	<u>1,127,612</u>
Total support, revenue and reclassifications	<u>11,532,881</u>	<u>429,453</u>	<u>11,962,334</u>	<u>8,975,768</u>
Expenses:				
Program services	8,230,504	-	8,230,504	8,566,448
Management and general	372,135	-	372,135	393,933
Fund raising	368,470	-	368,470	345,144
Total expenses	<u>8,971,109</u>	<u>-</u>	<u>8,971,109</u>	<u>9,305,525</u>
Gain on disposal of assets	<u>300</u>	<u>-</u>	<u>300</u>	<u>22,000</u>
Change in net assets	2,562,072	429,453	2,991,525	(307,757)
Net assets at beginning of year	6,653,605	1,721,117	8,374,722	11,366,247
Net assets at end of year	<u>\$ 9,215,677</u>	<u>\$ 2,150,570</u>	<u>\$ 11,366,247</u>	<u>\$ 11,058,490</u>

See accompanying notes to financial statements.

Catholic Charities, Diocese of Venice, Inc.

Statement of Functional Expenses

Year Ended June 30, 2019

(With Summarized Totals for 2018)

	<u>Family Reunification</u>	<u>Prevention and Social Services</u>	<u>Counseling and Education</u>	<u>Total Program Services</u>
Salaries	\$ 981,539	\$ 1,410,592	\$ 1,505,770	\$ 3,897,901
Employee benefits	277,787	413,657	379,266	1,070,710
Specific assistance	185,905	1,010,262	155,639	1,351,806
Outside services	49,983	85,631	180,623	316,237
Rent and utilities	114,770	97,299	43,009	255,078
Payroll taxes	72,135	104,126	110,663	286,924
Maintenance and equipment	148,151	100,169	78,762	327,082
Depreciation	120,342	222,706	61,322	404,370
Communications	34,503	35,741	27,714	97,958
Office supplies and postage	15,349	44,387	35,757	95,493
Religious stipends	-	73,443	-	73,443
Travel	24,435	67,516	17,322	109,273
Promotion	3,406	8,154	3,012	14,572
Printing	10,782	19,868	14,616	45,266
Other	23,867	6,457	17,361	47,685
Conferences, meetings and dues	3,391	9,789	9,398	22,578
Professional fees	9,154	13,936	11,139	34,229
Housing	-	7,025	-	7,025
General insurance	18,279	14,321	13,607	46,207
Staff training and recruiting	632	1,134	1,226	2,992
Interest expense	-	29,188	-	29,188
Grant expense	-	30,431	-	30,431
Total functional expenses	\$ <u>2,094,410</u>	\$ <u>3,805,832</u>	\$ <u>2,666,206</u>	\$ <u>8,566,448</u>

Management and General	Fund Raising	2019 Total	2018 Total
\$ 92,710	\$ 107,070	\$ 4,097,681	\$ 3,891,862
18,142	28,394	1,117,246	1,055,711
-	-	1,351,806	1,625,835
104,809	70,897	491,943	405,298
49,200	2,143	306,421	275,980
6,839	8,191	301,954	302,152
4,591	2,240	333,913	310,084
12,480	-	416,850	287,295
5,462	3,311	106,731	111,968
9,840	2,047	107,380	99,998
-	-	73,443	77,091
31,092	4,701	145,066	126,014
205	108,712	123,489	97,257
1,277	3,320	49,863	49,721
22,701	305	70,691	50,646
32,572	1,229	56,379	51,613
1,432	1,759	37,420	37,623
-	-	7,025	7,021
-	825	47,032	43,571
581	-	3,573	5,486
-	-	29,188	33,205
-	-	30,431	25,678
<u>\$ 393,933</u>	<u>\$ 345,144</u>	<u>\$ 9,305,525</u>	<u>\$ 8,971,109</u>

See accompanying notes to financial statements.

Catholic Charities, Diocese of Venice, Inc.

Statement of Functional Expenses

Year Ended June 30, 2018

(With Summarized Totals for 2019)

	<u>Family Reunification</u>	<u>Prevention and Social Services</u>	<u>Counseling and Education</u>	<u>Total Program Services</u>
Salaries	\$ 964,154	\$ 1,367,753	\$ 1,323,807	\$ 3,655,714
Employee benefits	275,764	389,265	336,801	1,001,830
Specific assistance	141,536	1,342,669	141,630	1,625,835
Outside services	64,617	100,515	60,953	226,085
Rent and utilities	108,292	74,649	45,296	228,237
Payroll taxes	74,852	106,185	102,774	283,811
Maintenance and equipment	109,448	96,898	74,668	281,014
Depreciation	60,171	175,106	42,057	277,334
Communications	33,520	35,503	25,518	94,541
Office supplies and postage	16,017	39,245	29,845	85,107
Religious stipends	-	77,091	-	77,091
Travel	25,935	57,812	18,220	101,967
Promotion	3,327	14,832	3,812	21,971
Printing	11,464	17,204	16,684	45,352
Other	16,215	10,369	23,879	50,463
Conferences, meetings and dues	9,280	7,649	6,503	23,432
Professional fees	9,308	15,471	12,299	37,078
Housing	-	7,021	-	7,021
General insurance	17,277	12,816	12,740	42,833
Staff training and recruiting	1,273	829	2,803	4,905
Interest expense	-	33,205	-	33,205
Grant expense	-	25,678	-	25,678
Total functional expenses	\$ <u>1,942,450</u>	\$ <u>4,007,765</u>	\$ <u>2,280,289</u>	\$ <u>8,230,504</u>

Management and General	Fund Raising	2018 Total	2019 Total
\$ 101,877	\$ 134,271	\$ 3,891,862	\$ 4,097,681
22,726	31,155	1,055,711	1,117,246
-	-	1,625,835	1,351,806
104,559	74,654	405,298	491,943
46,322	1,421	275,980	306,421
7,814	10,527	302,152	301,954
26,258	2,812	310,084	333,913
9,961	-	287,295	416,850
4,501	12,926	111,968	106,731
6,241	8,650	99,998	107,380
-	-	77,091	73,443
16,828	7,219	126,014	145,066
23	75,263	97,257	123,489
892	3,477	49,721	49,863
-	183	50,646	70,691
23,552	4,629	51,613	56,379
-	545	37,623	37,420
-	-	7,021	7,025
-	738	43,571	47,032
581	-	5,486	3,573
-	-	33,205	29,188
-	-	25,678	30,431
<u>\$ 372,135</u>	<u>\$ 368,470</u>	<u>\$ 8,971,109</u>	<u>\$ 9,305,525</u>

See accompanying notes to financial statements.

Catholic Charities, Diocese of Venice, Inc.

Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ <u>(307,757)</u>	\$ <u>2,991,525</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	416,850	287,295
Gain on disposal of assets	(22,000)	(300)
Change in value of gift annuities	31,153	218
Change in operating assets:		
Contracts and grants receivable	275,599	9,747
Accounts receivable	18,335	7,191
Prepaid insurance and other expenses	(68,782)	14,849
Change in operating liabilities:		
Accounts payable	20,036	(140,969)
Accrued expenses	(16,427)	(232,067)
Refundable advances	(1,070)	-
Total adjustments	<u>653,694</u>	<u>(54,036)</u>
Net cash provided by operating activities	<u>345,937</u>	<u>2,937,489</u>
Cash Flows from Investing Activities:		
Purchases of land, building and equipment	(233,571)	(2,732,152)
Proceeds from sale of land, buildings and equipment	22,000	300
Net cash used in investing activities	<u>(211,571)</u>	<u>(2,731,852)</u>
Cash Flows from Financing Activities:		
Payments on long-term debt	(96,099)	(92,088)
Payments received from Officer's loan receivable	-	4,270
Net cash used in financing activities	<u>(96,099)</u>	<u>(87,818)</u>
Net change in cash and cash equivalents	38,267	117,819
Cash and cash equivalents - beginning of year	4,331,293	4,213,474
Cash and cash equivalents - end of year	<u>\$ 4,369,560</u>	<u>\$ 4,331,293</u>

Supplemental disclosure of cash flow information:

Cash paid during the year for interest totaled \$29,188 and \$36,117 in 2019 and 2018, respectively.

See accompanying notes to financial statements.

Catholic Charities, Diocese of Venice, Inc.

Notes to Financial Statements

June 30, 2019 and 2018

I. Organization and Nature of Operations

Catholic Charities, Diocese of Venice, Inc. (Catholic Charities), is a not-for-profit 501(c)(3) charitable organization exempt from federal income taxes and established for the purpose of providing social services to individuals and families without distinction of race or religion in Southwest Florida, and has the ability to administer services in other languages, including Spanish and Creole in a culturally competent manner within the counties of Charlotte, Collier, DeSoto, Glades, Hardee, Hendry, Highlands, Lee, Manatee, and Sarasota.

Catholic Charities has numerous sites in the above ten counties and provides a variety of services that include: individual and family counseling, direct financial assistance to families in need, immigration and legalization processing, refugee resettlement and employment, after-school tutoring, English as a second or other language, citizenship, summer camps, housing counseling services, elderly outreach, day care for working poor, case management and shelter services for women and their infant children, and community centers for persons affected with HIV/AIDS.

Catholic Charities has, among its staff, certified personnel who are recognized by the federal Immigration and Naturalization Office (INS) to complete federal documents regarding citizenship and other formal requirements to allow non-citizens to be legally present in the United States of America.

2. Summary of Significant Accounting Policies

Use of 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, expenses and changes in net assets during the reporting period. Actual results could differ from those estimates and assumptions.

Financial Statements

The financial statements and notes are representations of Catholic Charities' management who is responsible for their integrity and objectivity. The accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Functional Allocation of Expenses

The costs of providing the various programs and services have been summarized on a functional basis in the Statements of Activities. Cost centers are used to control accounting for locations and activities that contribute to each function. Based on management's time study of the central office's personnel, certain costs have been allocated among the programs and supporting services benefited.

Basis of Presentation

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

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations. Board designated funds restricted by the Board of Directors are classified as net assets without donor restrictions.

Catholic Charities, Diocese of Venice, Inc.

Notes to Financial Statements (Continued)

June 30, 2019 and 2018

2. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Net assets with donor restrictions - Net assets subject to explicit or implicit donor-imposed stipulations that will be met either by actions of Catholic Charities and/or the passage of time. When a restriction expires, these net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Other net assets are perpetual in nature. These net assets are subject to donor-imposed stipulations that the net assets be maintained in perpetuity by Catholic Charities.

Revenue Recognition

All contributions are considered to be available without donor restriction unless specifically restricted by the donor. Contributions received with donor stipulations that restrict the use of donated assets, or have time restrictions, are treated as net assets with donor restrictions. When the purpose of the restriction is accomplished, 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. Donor restricted contributions whose restrictions are met in the same year as when the donation is received are reported as support without donor restrictions.

Gifts of cash restricted for the purpose of acquiring or constructing long-lived assets are recorded as net assets with donor restrictions until the long-lived asset is acquired or constructed at which time the net assets are released from the restriction and reclassified to net assets without donor restrictions.

Grants, which are limited to the use of various Catholic Charities' programs, are reflected as revenue without donor restrictions if these funds are received and spent during the same year and if they support the activities of Catholic Charities within the limits of Catholic Charities' articles of organization.

Cash and Cash Equivalents

For the purpose of the Statements of Cash Flows, cash and cash equivalents represents cash on hand and in bank accounts with original maturities of three months or less.

Restricted Cash Equivalents

Cash and cash equivalents are considered restricted when received and donor stipulations have not been satisfied.

Contracts and Grants Receivable

Contracts and grants receivable relate to amounts due to Catholic Charities from federal, state and local contracts relating to immigration, refugee and other social programs. Management determines the appropriateness of an allowance for bad debts based upon its review of existing receivables and historical collections by individual agencies. Management considers all contracts and grants due to be fully collectible. Therefore, no allowance for uncollectible contracts and grants has been recorded in the accompanying financial statements.

Catholic Charities, Diocese of Venice, Inc.

Notes to Financial Statements (Continued)

June 30, 2019 and 2018

2. Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable consists primarily of program fees. Management evaluates the receivables monthly. Management determines the appropriateness of an allowance for bad debts based upon its review of existing receivables and historical collections by individual payer.

Management considers all accounts receivable due to be fully collectible. Therefore, no allowance for uncollectible accounts has been recorded in the accompanying financial statements.

Beneficial Interest in Gift Annuities

Catholic Charities has been named beneficiary of three gift annuity agreements. The recorded beneficial interest is Catholic Charities' portion of the charitable remainder interest of the annuities and is based upon actuarial assumptions. Contributions of charitable gift annuities are recorded when Catholic Charities is informed of the contribution and its interest is irrevocable. The present values of payments to beneficiaries under these arrangements are calculated using applicable tax discount rates at year end. Gains or losses resulting from changes in actuarial assumptions and accretions of the discount are recorded as changes in the value of the gift annuities on the Statements of Activities. As of June 30, 2019, the fair value of two of the gift annuities was determined to be less than the estimated future payments to the beneficiaries. An adjustment of \$29,987 was recorded to decrease the beneficial interest in gift annuities in the Statement of Financial Position for the year ended June 30, 2019. This decrease is also reflected in the change in value of gift annuities in the Statement of Activities.

Charitable gift annuities are classified as with or without donor restrictions based upon the individual gift agreements.

Land, Building and Equipment

Land, building and equipment are stated at historical cost at the date of acquisition or fair value at the date of donation, in the case of gifts. Land, building and equipment are recorded as net assets without donor restrictions or net assets with donor restrictions, in the case of donations with time stipulations.

Expenditures exceeding \$5,000 that significantly add to the productivity or extend the useful lives of property and equipment are capitalized. Other expenditures for maintenance and repairs are charged to operations in the year the costs are incurred. In accordance with contract provisions, Catholic Charities has segregated and identified property and equipment that has been purchased or improved with funds received from government agencies. These agencies maintain a reversionary interest in the respective property and equipment. Depreciation is provided for over the estimated service lives of the respective assets on a straight-line basis for periods ranging from three to forty years.

Refundable Advances

Catholic Charities receives advances on certain government contracts based upon the estimated cost of providing specific services. Advances for services that have not yet been performed as of June 30, 2019 and 2018 are classified as liabilities in the accompanying Statements of Financial Position.

Income Tax Status

Catholic Charities is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been provided for.

Catholic Charities, Diocese of Venice, Inc.

Notes to Financial Statements (Continued)

June 30, 2019 and 2018

2. Summary of Significant Accounting Policies (Continued)

Income Tax Status (Continued)

Under the Income Taxes Topic of the FASB Accounting Standards Codification, Catholic Charities has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes, and determined that there are no uncertain tax positions that would have a material impact on the financial statements of Catholic Charities.

Catholic Charities files income tax returns in the U.S. federal jurisdiction. The tax periods open to examination by the major taxing jurisdictions to which Catholic Charities is subject includes fiscal years ended June 30, 2016 through June 30, 2019.

Donated Materials, Services and Space

A substantial number of volunteers have donated a significant amount of time to Catholic Charities' program services. However, donated services have not been recorded in the financial statements as they do not meet the requirements to be recorded under accounting principles generally accepted in the United States of America. Additionally, the Diocese of Venice (Diocese) has provided office space to Catholic Charities at no charge. The fair market value of the donated space in the amount of \$41,400 and \$39,400 is recorded in the accompanying financial statements for the years ended June 30, 2019 and 2018, respectively, and is included in contributions and rent expense on the Statement of Activities. Furthermore, Catholic Charities receives free rent at various facilities. However, they are required to pay utilities, ground maintenance, and building upkeep and repairs. The fair value of this space provided is not readily determinable and has not been included in the accompanying financial statements.

Financial Instruments Not Measured at Fair Value

Catholic Charities' financial instruments, with the exception of investments, are not measured at fair value on a recurring basis, but are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such financial assets and financial liabilities include cash and cash equivalents, contracts and grants receivable, accounts receivable, prepaid insurance and other expenses, accounts payable, accrued expenses, and refundable advances.

Accounting Pronouncements Adopted

In August 2016, the FASB issued ASU 2016-14, "Presentation of Financial Statements of Not-for-Profit Entities" (Topic 958), which was adopted by Catholic Charities for the year ended June 30, 2019. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets with donor restrictions" and "net assets without donor restrictions", (b) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (c) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (d) presenting investment return net of external and direct internal investment expenses, and (e) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

Catholic Charities, Diocese of Venice, Inc.

Notes to Financial Statements (Continued)

June 30, 2019 and 2018

2. Summary of Significant Accounting Policies (Continued)

Reclassification

To facilitate comparison of financial data, certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 reporting presentation. Such reclassifications had no effect on the change in net assets previously reported.

3. Liquidity and Availability

Financial assets available within one year of the Statement of Financial Position date for general expenditures are as follows:

Cash and cash equivalents	\$	4,369,560
Contracts and grants receivable		121,722
Accounts receivable		50,270
Total financial assets available		<u>4,541,552</u>
Less: Amounts unavailable for general expenditures within one year due to:		
Restricted by donors with purpose and time restrictions		(1,661,183)
Restrictions perpetual in nature		<u>(1,672)</u>
Total amounts unavailable for general expenditures within one year		<u>(1,662,855)</u>
Less: Amounts unavailable to management without Board approval:		
		(464,196)
Board-designated for disaster loss		(300,000)
Board-designated for capital facility needs		<u>(228,721)</u>
Total amounts unavailable to management without Board approval:		<u>(992,917)</u>
Total financial assets available to management for general expenditure within one year	\$	<u>1,885,780</u>

Catholic Charities manages its liquid assets in accordance with regular budgeting processes developed through the coordinated efforts of management and the Board of Directors. Monthly reporting by management to those charged with governance ensures the results from operating activities are monitored closely.

The Board-designated net assets totaling \$528,721 for disaster loss and capital facility needs may be distributed to fund the operating budget. Although Catholic Charities does not intend to spend from these funds, these amounts could be made available if necessary.

4. Land, Building and Equipment

Land, building and equipment consisted of the following as of June 30:

	2019	2018
Land	\$ 1,579,222	\$ 1,579,222
Buildings	8,225,308	8,057,504
Equipment	563,747	527,933
Vehicles	143,046	203,018
Construction in process	-	499
	<u>10,511,323</u>	<u>10,368,176</u>
Less accumulated depreciation	<u>3,253,314</u>	<u>2,926,888</u>
Land, building and equipment, net	\$ <u>7,258,009</u>	\$ <u>7,441,288</u>

Catholic Charities, Diocese of Venice, Inc.

Notes to Financial Statements (Continued)

June 30, 2019 and 2018

4. Land, Building and Equipment (Continued)

Depreciation expense for the years ended June 30, 2019 and 2018 totaled \$416,850 and \$287,295, respectively.

Land and buildings have been purchased or renovated with funds received from governmental agencies. Title to these assets acquired with government agency funds vests with Catholic Charities as long as Catholic Charities has a contract with the agencies or the assets are used to meet objectives established in the contract until five years after expiration, or a longer period as determined to be appropriate. In accordance with contract provisions, Catholic Charities has segregated and identified these assets. Upon contract termination or if the objectives are not met, the assets revert to the respective agencies in accordance with their proportional interests. As of June 30, 2019 and 2018, government funded assets had a total net book value of \$652,745 and \$687,101, respectively.

5. Long-Term Debt

Mortgage Payable

During the fiscal year 2005, Catholic Charities incurred a mortgage, which is payable to the County of Sarasota. This note bears interest at the rate of 0% per annum and will be forgiven in full on August 1, 2024. Within this twenty-year period, the note is due and payable upon the sale of the property or when the property is no longer used to house persons in accordance with the Subrecipient Agreement. The note is secured by a lien on certain real property, and may be prepaid in full at any time without penalty. As of June 30, 2019 and 2018, the balance was \$80,000 and is included in long-term debt.

Promissory Note

On February 1, 2015, Catholic Charities incurred a loan payable to the Diocese of Venice (related party - see Note 11) in the principal amount of \$1,100,000. Proceeds of the loan were used to purchase a building in Naples, Florida, replacing a leased facility. The new building is known as the Judy Sullivan Family Resource Center and houses a food pantry, homelessness prevention initiative and education programs.

Interest accrues at a variable rate based upon the current rate established by the Trustees of the Diocese of Venice Savings and Loan Trust Fund, adjusted from time to time, with a current rate of 4.75%. Principal and interest payments are payable in monthly installments of \$10,440, with the loan due and payable in full on June 1, 2024. The loan agreement stipulates that the loan may be prepaid in whole or part at anytime without penalty. As of June 30, 2019 and 2018, the balance was \$555,851 and \$651,950, respectively.

Future principal payments of the promissory note payable are as follows for the years ended June 30:

2020	\$	101,144
2021		106,119
2022		111,271
2023		116,673
2024		120,644
Total	\$	<u>555,851</u>

Catholic Charities, Diocese of Venice, Inc.

Notes to Financial Statements (Continued)

June 30, 2019 and 2018

6. Board Designated Net Assets

As of June 30, 2019 and 2018, Catholic Charities had Board designated net assets of the following for future program services:

	2019	2018
Boca Grande Child Care Center	\$ 464,196	\$ 182,851
District 3 - Guadalupe Social Services - Immokalee	-	274,457
Capital Facility Needs	228,721	128,721
Disaster Loss	300,000	400,000
Veteran's House	-	31,560
Total board designated net assets	\$ 992,917	\$ 1,017,589

7. Net Assets With Donor Restrictions

Net assets with donor restrictions as shown on the Statements of Financial Position consisted of the following at June 30:

	2019	2018
Subject to expenditure for specified purpose:		
Bethesda House	\$ 5,000	\$ 1,247
Boca Grande Child Care Center	285,637	373,437
Catholic Hispanic Social Services	93,990	92,324
Clare House	4,191	4,191
Counseling	1,271	18,721
Direct assistance	386,346	424,288
Guadalupe Social Services	50,110	48,205
Other	732,758	1,075,077
Our Mother's House	46,337	41,400
Rural services programs	55,543	58,394
Total purpose restrictions	1,661,183	2,137,284
Perpetual in nature:		
Charitable gift annuities	1,672	13,286
Total perpetual in nature	1,672	13,286
Total net assets with donor restrictions	\$ 1,662,855	\$ 2,150,570

Funds related to Hurricane Irma Disaster Relief included in the other category as of June 30, 2019 and 2018 were \$252,142 and \$737,795, respectively.

8. Net Assets Released from Restrictions

Net assets released from restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donor for the years ended June 30 are for the following:

	2019	2018
Satisfaction of purpose restrictions:		
Bethesda House	\$ 1,247	\$ -
Boca Grande Child Care Center	87,800	7,269
Catholic Hispanic Social Services	15,000	26,213
Counseling	18,721	32,360
Direct assistance	226,589	133,576
Guadalupe Social Services	15,762	11,990
Other	741,763	386,871
Our Mother's House	3,663	193,473
Rural services programs	10,587	9,715
Total net assets released from restrictions	\$ 1,121,131	\$ 801,467

Catholic Charities, Diocese of Venice, Inc.

Notes to Financial Statements (Continued)

June 30, 2019 and 2018

9. Employee Retirement Plans

Catholic Charities makes contributions to a multi-employer defined benefit pension plan and a 403(b) Plan. These payments are made through the Diocese of Venice Retirement Program Trust. The Plan covers eligible employees from the Diocese of Venice, as well as certain parishes and schools.

The Pension Plan is a noncontributory defined benefit pension plan established July 1, 2012 by a spin-off from the Seventh Amended and Restated Pension Plan for Employees within the Archdiocese of Miami/Diocese of Venice (Prior Plan). The Pension Plan is a qualified plan and is exempt from income taxes under the provisions of the Internal Revenue Code (IRC). The Pension Plan is a "Church Plan" as defined in Section 414(e) of the IRC and is exempt from Title I of the Employee Retirement Income Security Act of 1974 (ERISA), as amended. The Pension Plan was most recently amended effective July 21, 2017.

The Pension Plan covers all members in the Prior Plan who are designated as Transferred members immediately prior to July 1, 2012. All other eligible employees of the Diocese of Venice, as defined by the Pension Plan, were able to commence participation immediately or upon their subsequent employment, appointment, assignment, re-employment, reappointment or reassignment. Effective July 1, 2014, the Pension Plan was frozen with regard to participation of certain Lay employees based on their years of service and no Lay employee hired on or after July 1, 2014 is eligible to participate in the Pension Plan.

The following table discloses quantitative information of the Pension Plan as of and for the year ended February 1, 2019, which is the date of the latest actuarial valuation.

<u>Legal Name and Plan Number</u>	<u>Plan EIN</u>	<u>Actuarial present value of accumulated plan benefits</u>	<u>Fair value of plan assets</u>	<u>Total contributions</u>	<u>Long Term Funded Status</u>
Diocese of Venice Pension Plan & Trust, Number 001	45-6947361	\$ 118,474,488	\$ 104,767,890	\$ 3,494,085	88%

Effective July 1, 2014, Catholic Charities became a participant in an Internal Revenue Code 403(b) sponsored by the Diocese of Venice. Contributions to the 403(b) plan are made by employees through salary deferrals as well as by the Diocese in both a non-contributory and matching component. The plan is exempt from the reporting requirements of ERISA.

Contributions to the plans by Catholic Charities for the years ended June 30, 2019 and 2018 totaled \$334,864 and \$338,745, respectively.

Catholic Charities, Diocese of Venice, Inc.

Notes to Financial Statements (Continued)

June 30, 2019 and 2018

10. Lease Commitments

Equipment Leases

Catholic Charities has entered into operating lease agreements for office space and equipment expiring through fiscal year 2024 with lease terms from two to five years. Catholic Charities also leases various storage areas and containers on a month-to-month basis. The future minimum payments under operating leases of equipment are as follows as of June 30:

2020	\$	23,196
2021		21,510
2022		8,665
2023		899
2024		158
Total operating lease commitment for equipment	\$	<u>54,428</u>

Total expenses for operating equipment leases amounted to \$23,708 and \$13,135 for the years ended June 30, 2019 and 2018, respectively.

Office Leases

Catholic Charities leases several office facilities for various terms under long-term operating lease agreements for providing its program services. The leases expire at various dates through fiscal year 2021 and provide for increases in future minimum payments as defined in the leases and Consumer Price Index.

The future minimum required lease payments under operating office leases are as follows as of June 30:

2020	\$	58,933
2021		31,941
Total office lease commitments	\$	<u>90,874</u>

Office rent expense for the years ended June 30, 2019 and 2018 was \$68,948 and \$72,296, respectively.

11. Related Party Transactions

Contributions, Pension and Insurance

The Diocese contributes significant funds to Catholic Charities each year. For the years ended June 30, 2019 and 2018, \$1,659,996 and \$1,699,996 respectively, or approximately 18% and 14% of total support and revenue, respectively, was provided by the Diocese. Catholic Charities also participates in a pension and defined contribution plan of the Diocese and purchases employee life and health insurance and liability and property insurance from the Diocese.

For the years ended June 30, 2019 and 2018, Catholic Charities paid the following amounts to the Diocese:

	<u>2019</u>		<u>2018</u>
Pension and 403(b) contributions	\$ 334,864	\$	338,745
Group health, dental and life insurance	672,538		608,980
Property, auto, liability, worker's compensation and unemployment insurance	161,905		156,779
Total payments to the Diocese	\$ <u>1,169,307</u>	\$	<u>1,104,504</u>

Catholic Charities, Diocese of Venice, Inc.

Notes to Financial Statements (Continued)

June 30, 2019 and 2018

II. Related Party Transactions (Continued)

Contributions, Pension and Insurance (Continued)

Catholic Charities shares in the use of certain facilities for various program services. A significant portion of the office space is provided at no cost by certain parishes and the Diocese. See Note 2 for details.

During the years ended June 30, 2019 and 2018, Catholic Charities received contributions from Catholic Charities Foundation totaling \$110,000 and \$190,000, respectively. These amounts are included under Contributions in the accompanying Statement of Activities.

Promissory Notes

On February 1, 2015, Catholic Charities incurred a loan payable to the Diocese of Venice in the principal amount of \$1,100,000. Proceeds of the loan were used to purchase a building in Naples, Florida, that is known as the Judy Sullivan Family Resource Center. As of June 30, 2019 and 2018, the balance was \$555,851 and \$651,950, respectively. See Note 5 to the financial statements.

Cash Deposits

Catholic Charities also maintains significant cash deposits with the Diocese. See Note 14 to the financial statements.

Sub Grants and Guarantees with Housing Entities

Catholic Charities received a grant which a portion of the grant was passed through Catholic Charities Housing, Diocese of Venice, Inc. totaling \$83,275 and \$80,778 for the years ended June 30, 2019 and 2018, respectively.

In October 2014, Diocese of Venice modified a loan agreement with Casa San Juan Bosco, Inc., a related housing entity, to include certain land and buildings of Catholic Charities as additional collateral. The loan was collateralized by land owned by Casa San Juan Bosco with an estimated value of approximately \$650,000. The outstanding balance of the loan totaled \$195,687 as of June 30, 2018 and was subsequently paid in full in August 2018.

In September 2011, Catholic Charities provided a guarantee that Casa San Juan Bosco, a related housing entity, will do nothing to contaminate the site with hazardous materials during its ownership of the property.

During 2015, Catholic Charities Board of Directors agreed to be the guarantor for a loan from the Florida Housing Financing Corporation to Casa San Juan Bosco II, Inc., a related housing entity. The amount of the guarantee totaled \$6,510,000, which guaranteed construction completion. The guarantee stayed in place until the project was successfully completed in June 2017. In addition, Catholic Charities entered into an operating deficit guaranty related to this project that remained in place for six months from stabilized occupancy while Casa San Juan Bosco II, Inc. maintained a 1.0 to 1.0 debt service coverage ratio. The occupancy requirement was fulfilled in October 2018. The operating deficit guaranty was satisfied during the fiscal year ended June 30, 2019.

Catholic Charities, Diocese of Venice, Inc.

Notes to Financial Statements (Continued)

June 30, 2019 and 2018

11. Related Party Transactions (Continued)

Management Fees

Beginning in the year ended June 30, 2010, and ending January 31, 2018, Catholic Charities assessed a management fee to Catholic Charities Housing Entities. The monthly fee was \$2,375 and assessed in order to reimburse Catholic Charities for the time that their employees spent working on the various housing entities, which include Catholic Charities Housing, Diocese of Venice, Inc., Catholic Charities Housing Sarasota, Inc., Marian Manor, Inc., and Casa San Juan Bosco, Inc. Total management fees charged during the years ended June 30, 2019 and 2018 totaled \$0 and \$16,625, respectively, and is included in other income in the accompanying financial statements.

12. Lee County Operations

To comply with reporting requirements of the contract between Catholic Charities and the Lee County Board of County Commissioners, management has identified the following assets as related to the Lee County Funded Programs of Catholic Charities.

The Lee County assets are considered a component of both the net assets with and without donor restrictions as of June 30, 2019 and 2018. Services are provided primarily to the Hispanic and Haitian populations within Lee County.

	<u>2019</u>		<u>2018</u>
Cash-restricted	\$ 280,032	\$	253,868
Contracts receivable	33,807		38,173
Land, building and equipment, net of accumulated depreciation of \$331,423 and \$307,109 respectively	273,933		284,117
Total Lee County assets	<u>\$ 587,772</u>	<u>\$</u>	<u>576,158</u>

13. Contingencies

Catholic Charities receives financial assistance from Federal, State and local agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to an audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of Catholic Charities. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of Catholic Charities as of June 30, 2019 and 2018.

14. Concentrations of Risk

Financial instruments that potentially subject Catholic Charities to concentrations of credit risk consist principally of cash and cash equivalents. Cash accounts at banking institutions are insured by the Federal Deposit Insurance Corporation (FDIC). Catholic Charities has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents, which at times, exceeds federally insured limits.

Catholic Charities also maintains significant cash deposits with the Diocese. These deposits are not insured. Cash balances held by the Diocese as of June 30, 2019 and 2018 amounted to \$3,925,893 and \$3,947,253, respectively. Catholic Charities has not experienced any such losses in such accounts and does not believe it is exposed to any significant credit risk on cash held with the Diocese or with financial institutions.

15. Subsequent Events

Catholic Charities has evaluated all events subsequent to the Statement of Financial Position date of June 30, 2019 through the date these financial statements were available to be issued, October 23, 2019, and have determined that there were no subsequent events that require disclosure

Supplemental Information

Catholic Charities, Diocese of Venice, Inc.

Schedule of Revenues and Expenses - Lee County Funded Programs of Catholic Charities Year Ended June 30, 2019

	Without Donor Restrictions			
	Social Services	Education	Citizenship	Counseling
Support:				
Diocese of Venice	\$ 48,076	\$ 251,447	\$ 49,464	\$ 13,922
Contributions	5,210	96,993	-	6,555
Board of County Commissioners, Lee County	-	123,111	-	-
United Way grants	-	95,214	-	-
Federal grants	-	12,551	-	-
Total support	<u>53,286</u>	<u>579,316</u>	<u>49,464</u>	<u>20,477</u>
Revenues:				
Program service fees	-	26,733	48,803	-
Total revenues	<u>-</u>	<u>26,733</u>	<u>48,803</u>	<u>-</u>
Net assets released from restrictions	<u>320</u>	<u>53,883</u>	<u>-</u>	<u>-</u>
Special events revenue	<u>-</u>	<u>63,997</u>	<u>-</u>	<u>-</u>
Total support, revenues and reclassifications	<u>53,606</u>	<u>723,929</u>	<u>98,267</u>	<u>20,477</u>
Expenses:				
Salaries	79,698	479,182	87,605	24,980
Conferences, meetings and dues	-	1,515	-	-
Employee benefits	22,223	103,848	29,063	4,728
General insurance	2,416	7,799	1,703	-
Maintenance and equipment	6,680	26,247	5,887	1,467
Office supplies and postage	8,286	22,008	4,610	919
Other	2,729	6,100	489	133
Outside services	5,027	20,475	7,449	2,254
Payroll taxes	6,702	36,053	6,702	1,911
Professional fees	918	3,349	753	213
Rent and utilities	9,933	18,227	1,763	36
Direct assistance	13,870	543	-	127
Staff training and recruiting	214	893	81	8
Telephone	3,354	9,044	2,752	488
Travel	1,352	19,865	874	630
Total expenses	<u>163,402</u>	<u>755,148</u>	<u>149,731</u>	<u>37,894</u>
Increase (decrease) in net assets	<u>\$ (109,796)</u>	<u>\$ (31,219)</u>	<u>\$ (51,464)</u>	<u>\$ (17,417)</u>

<u>Elderly Services</u>	<u>Total Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
\$ 64,318	\$ 427,227	\$ -	\$ 427,227
7,316	116,074	37,693	153,767
34,234	157,345	-	157,345
57,710	152,924	-	152,924
-	12,551	-	12,551
<u>163,578</u>	<u>866,121</u>	<u>37,693</u>	<u>903,814</u>
-	75,536	-	75,536
-	<u>75,536</u>	-	<u>75,536</u>
-	54,203	(37,693)	16,510
-	63,997	-	63,997
<u>163,578</u>	<u>1,059,857</u>	<u>-</u>	<u>1,059,857</u>
116,734	788,199	-	788,199
-	1,515	-	1,515
30,429	190,291	-	190,291
1,122	13,040	-	13,040
2,018	42,299	-	42,299
2,398	38,221	-	38,221
119	9,570	-	9,570
2,693	37,898	-	37,898
8,930	60,298	-	60,298
966	6,199	-	6,199
1,452	31,411	-	31,411
1,070	15,611	-	15,611
43	1,239	-	1,239
2,543	18,181	-	18,181
9,385	32,106	-	32,106
<u>179,903</u>	<u>1,286,078</u>	<u>-</u>	<u>1,286,078</u>
\$ <u>(16,325)</u>	\$ <u>(226,221)</u>	\$ <u>-</u>	\$ <u>(226,221)</u>