

CATHOLIC SOCIAL SERVICES, INC.

Columbus, Ohio

Financial Statements

For the years ended December 31, 2019 and 2018

And Independent Auditors' Report



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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Catholic Social Services, Inc.
Columbus, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of Catholic Social Services, Inc. (CSS), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and change in net assets, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CSS as of December 31, 2019 and 2018, and the change 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.

Schneider Downs & Co., Inc.

Columbus, Ohio
June 12, 2020

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CATHOLIC SOCIAL SERVICES, INC.

STATEMENTS OF FINANCIAL POSITION

	December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
Cash and cash equivalents	\$ 210,147	\$ 163,000	\$ 373,147
Funds held on behalf of others	60,449	-	60,449
Custodial funds	1,281,020	-	1,281,020
Accounts receivable	319,905	-	319,905
Contributions receivable	7,043	510,555	517,598
Prepaid expenses	50,553	-	50,553
	1,929,117	673,555	2,602,672
Total Current Assets			
Contributions receivable	-	275,000	275,000
Property and equipment, net	350,345	-	350,345
Investments	2,451,805	2,893,764	5,345,569
Beneficial interest in funds held by others	582,885	2,383,373	2,966,258
	3,385,035	5,552,137	8,937,172
Total Noncurrent Assets			
Total Assets	\$ 5,314,152	\$ 6,225,692	\$ 11,539,844
LIABILITIES			
Accounts payable	\$ 144,432	-	\$ 144,432
Accrued payroll	237,076	-	237,076
Other accrued expenses	61,678	-	61,678
Custodial funds	1,281,020	-	1,281,020
Deferred revenue	2,717	-	2,717
	1,726,923	-	1,726,923
Total Current Liabilities			
Total Liabilities	1,726,923	-	1,726,923
NET ASSETS			
Without donor restrictions	3,587,229	-	3,587,229
With donor restrictions	-	\$ 6,225,692	6,225,692
	3,587,229	6,225,692	9,812,921
Total Net Assets			
Total Liabilities And Net Assets	\$ 5,314,152	\$ 6,225,692	\$ 11,539,844

December 31, 2018		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 315,626	\$ 21,500	\$ 337,126
56,678	-	56,678
1,238,174	-	1,238,174
299,863	-	299,863
7,127	232,719	239,846
60,207	-	60,207
1,977,675	254,219	2,231,894
-	50,000	50,000
376,407	-	376,407
2,025,700	2,693,930	4,719,630
491,379	2,203,511	2,694,890
2,893,486	4,947,441	7,840,927
<u>\$ 4,871,161</u>	<u>\$ 5,201,660</u>	<u>\$ 10,072,821</u>
\$ 141,482	-	\$ 141,482
202,469	-	202,469
65,734	-	65,734
1,238,174	-	1,238,174
1,257	-	1,257
1,649,116	-	1,649,116
1,649,116	-	1,649,116
3,222,045	-	3,222,045
-	\$ 5,201,660	5,201,660
3,222,045	5,201,660	8,423,705
<u>\$ 4,871,161</u>	<u>\$ 5,201,660</u>	<u>\$ 10,072,821</u>

See notes to financial statements.

CATHOLIC SOCIAL SERVICES, INC.

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019		Total
	Without Donor Restrictions	With Donor Restrictions	
PUBLIC SUPPORT AND REVENUE			
Government revenue:			
Federal	\$ 1,571,522	-	\$ 1,571,522
County	1,141,197	-	1,141,197
State	191,334	-	191,334
Local	-	-	-
Total Government Revenue	<u>2,904,053</u>	<u>-</u>	<u>2,904,053</u>
Public support:			
Contributions	664,526	\$ 1,214,226	1,878,752
Special events, net	260,994	-	260,994
United Way	135,971	98,378	234,349
Catholic Diocese of Columbus	-	217,785	217,785
Total Public Support	<u>1,061,491</u>	<u>1,530,389</u>	<u>2,591,880</u>
Earned revenue:			
Program service fees	587,760	-	587,760
Other revenue:			
Investment income (loss), net	325,823	404,382	730,205
Investment income (loss) from beneficial interest in funds held by others	94,979	173,668	268,647
Miscellaneous	949	-	949
Total Other Revenue	<u>421,751</u>	<u>578,050</u>	<u>999,801</u>
Net assets released from restrictions	<u>1,084,407</u>	<u>(1,084,407)</u>	<u>-</u>
Total Public Support And Revenue	<u>6,059,462</u>	<u>1,024,032</u>	<u>7,083,494</u>
EXPENSES			
Program services:			
Senior services	3,208,594	-	3,208,594
Family services	1,073,032	-	1,073,032
Poverty reduction efforts	407,446	-	407,446
Total Program Services	<u>4,689,072</u>	<u>-</u>	<u>4,689,072</u>
Supporting services:			
Administration	624,996	-	624,996
Development	255,007	-	255,007
Marketing	125,203	-	125,203
Total Supporting Services	<u>1,005,206</u>	<u>-</u>	<u>1,005,206</u>
Total Expenses	<u>5,694,278</u>	<u>-</u>	<u>5,694,278</u>
Change In Net Assets	365,184	1,024,032	1,389,216
NET ASSETS			
Beginning of year	<u>3,222,045</u>	<u>5,201,660</u>	<u>8,423,705</u>
End of year	<u>\$ 3,587,229</u>	<u>\$ 6,225,692</u>	<u>\$ 9,812,921</u>

2018		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 1,433,658	-	\$ 1,433,658
1,129,406	-	1,129,406
348,000	-	348,000
52,056	-	52,056
2,963,120	-	2,963,120
816,977	\$ 323,857	1,140,834
297,131	-	297,131
198,564	69,408	267,972
-	197,953	197,953
1,312,672	591,218	1,903,890
443,475	-	443,475
68,267	(140,370)	(72,103)
(70,555)	(294,396)	(364,951)
-	-	-
(2,288)	(434,766)	(437,054)
834,469	(834,469)	-
5,551,448	(678,017)	4,873,431
3,244,199	-	3,244,199
933,839	-	933,839
414,265	-	414,265
4,592,303	-	4,592,303
567,937	-	567,937
250,376	-	250,376
55,196	-	55,196
873,509	-	873,509
5,465,812	-	5,465,812
85,636	(678,017)	(592,381)
3,136,409	5,879,677	9,016,086
\$ 3,222,045	\$ 5,201,660	\$ 8,423,705

See notes to financial statements.

CATHOLIC SOCIAL SERVICES, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Services			Program Services Total
	Senior Services	Family Services	Poverty Reduction	
Salaries	\$ 1,462,889	\$ 583,997	\$ 287,535	\$ 2,334,421
Employee benefits	242,327	87,826	25,587	355,740
Payroll taxes	125,106	48,302	22,251	195,659
Total Payroll Expenses	<u>1,830,322</u>	<u>720,125</u>	<u>335,373</u>	<u>2,885,820</u>
Stipends/volunteer costs	712,071	391	421	712,883
Professional fees	74,964	44,643	6,056	125,663
Occupancy	113,392	73,715	6,371	193,478
Specific assistance	54,238	97,739	2,709	154,686
Travel and vehicle expense	123,611	13,596	5,856	143,063
Telephone	65,343	29,596	577	95,516
Supplies	49,301	28,814	10,668	88,783
Conference and meetings	23,806	6,696	22,782	53,284
Fees and charges	20,689	1,304	-	21,993
Marketing	4,130	9,898	159	14,187
Postage and shipping	28,298	897	266	29,461
Equipment rental and maintenance	20,500	8,925	1,175	30,600
Printing and publications	6,686	1,231	1,636	9,553
Membership dues	5,769	1,855	12,169	19,793
Miscellaneous	7,442	110	-	7,552
Total Before Depreciation And Amortization	<u>3,140,562</u>	<u>1,039,535</u>	<u>406,218</u>	<u>4,586,315</u>
Depreciation and amortization	<u>68,032</u>	<u>33,497</u>	<u>1,228</u>	<u>102,757</u>
Total Functional Expenses	<u><u>\$ 3,208,594</u></u>	<u><u>\$ 1,073,032</u></u>	<u><u>\$ 407,446</u></u>	<u><u>\$ 4,689,072</u></u>

Supporting Services

Administration	Development	Marketing	Supporting Services Total	Total Expenses
\$ 346,713	\$ 155,219	\$ 55,248	\$ 557,180	\$ 2,891,601
58,821	21,157	3,503	83,481	439,221
28,210	12,761	4,702	45,673	241,332
<u>433,744</u>	<u>189,137</u>	<u>63,453</u>	<u>686,334</u>	<u>3,572,154</u>
5	-	-	5	712,888
92,855	14,090	2,646	109,591	235,254
27,454	8,511	2,570	38,535	232,013
-	-	-	-	154,686
1,572	1,807	107	3,486	146,549
6,021	832	529	7,382	102,898
8,661	2,069	558	11,288	100,071
6,911	9,712	2,567	19,190	72,474
23,581	10,286	-	33,867	55,860
-	755	32,658	33,413	47,600
919	3,475	4,643	9,037	38,498
3,000	1,685	1,009	5,694	36,294
859	10,916	13,679	25,454	35,007
748	987	337	2,072	21,865
228	-	-	228	7,780
<u>606,558</u>	<u>254,262</u>	<u>124,756</u>	<u>985,576</u>	<u>5,571,891</u>
<u>18,438</u>	<u>745</u>	<u>447</u>	<u>19,630</u>	<u>122,387</u>
<u>\$ 624,996</u>	<u>\$ 255,007</u>	<u>\$ 125,203</u>	<u>\$ 1,005,206</u>	<u>\$ 5,694,278</u>

See notes to financial statements.

CATHOLIC SOCIAL SERVICES, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services			Program Services Total
	Senior Services	Family Services	Poverty Reduction	
Salaries	\$ 1,515,865	\$ 466,160	\$ 244,645	\$ 2,226,670
Employee benefits	237,500	101,070	24,380	362,950
Payroll taxes	125,756	38,659	18,359	182,774
Total Payroll Expenses	<u>1,879,121</u>	<u>605,889</u>	<u>287,384</u>	<u>2,772,394</u>
Stipends/volunteer costs	662,603	405	689	663,697
Professional fees	72,879	63,798	9,270	145,947
Occupancy	111,895	73,528	7,648	193,071
Specific assistance	98,290	87,655	446	186,391
Travel and vehicle expense	129,447	7,409	15,158	152,014
Telephone	62,496	25,259	29	87,784
Supplies	42,166	11,650	21,199	75,015
Conference and meetings	27,966	6,280	56,320	90,566
Fees and charges	17,603	1,185	82	18,870
Marketing	4,836	420	418	5,674
Postage and shipping	24,757	840	62	25,659
Equipment rental and maintenance	21,999	8,088	1,018	31,105
Printing and publications	6,410	4,287	891	11,588
Membership dues	6,982	2,900	12,413	22,295
Miscellaneous	2,024	205	11	2,240
Total Before Depreciation And Amortization	<u>3,171,474</u>	<u>899,798</u>	<u>413,038</u>	<u>4,484,310</u>
Depreciation and amortization	<u>72,725</u>	<u>34,041</u>	<u>1,227</u>	<u>107,993</u>
Total Functional Expenses	<u><u>\$ 3,244,199</u></u>	<u><u>\$ 933,839</u></u>	<u><u>\$ 414,265</u></u>	<u><u>\$ 4,592,303</u></u>

Supporting Services

Administration	Development	Marketing	Supporting Services Total	Total Expenses
\$ 287,932	\$ 154,766	\$ 27,453	\$ 470,151	\$ 2,696,821
37,577	12,602	231	50,410	413,360
24,085	13,027	2,379	39,491	222,265
<u>349,594</u>	<u>180,395</u>	<u>30,063</u>	<u>560,052</u>	<u>3,332,446</u>
25	-	-	25	663,722
127,783	15,059	7,373	150,215	296,162
25,855	7,759	2,444	36,058	229,129
-	-	-	-	186,391
503	1,489	5	1,997	154,011
5,874	825	499	7,198	94,982
8,484	2,933	835	12,252	87,267
3,035	7,820	328	11,183	101,749
20,046	6,083	54	26,183	45,053
-	5,498	9,496	14,994	20,668
981	7,453	-	8,434	34,093
3,039	1,539	949	5,527	36,632
1,361	11,728	2,130	15,219	26,807
1,433	1,050	573	3,056	25,351
1,588	-	-	1,588	3,828
<u>549,601</u>	<u>249,631</u>	<u>54,749</u>	<u>853,981</u>	<u>5,338,291</u>
<u>18,336</u>	<u>745</u>	<u>447</u>	<u>19,528</u>	<u>127,521</u>
<u>\$ 567,937</u>	<u>\$ 250,376</u>	<u>\$ 55,196</u>	<u>\$ 873,509</u>	<u>\$ 5,465,812</u>

See notes to financial statements.

CATHOLIC SOCIAL SERVICES, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,389,216	\$ (592,381)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net unrealized (gain) loss on investments	(422,420)	325,110
Net realized gain on sale of investments	(176,202)	(127,600)
Contributions restricted for investment in endowment	(6,195)	(23,596)
Adjustment to fair value of beneficial interest in funds held by others	(268,647)	364,951
Depreciation and amortization	122,387	127,521
Change in assets and liabilities		
Funds held on behalf of others	(3,771)	(56,678)
Accounts and contributions receivable	(522,794)	(25,142)
Prepaid expenses	9,654	23,700
Accounts payable	2,950	18,253
Accrued payroll	34,607	33,739
Other accrued expenses	(4,056)	9,551
Deferred revenue	1,460	(3,006)
Net Cash Provided By Operating Activities	156,189	74,422
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(96,325)	(57,295)
Contributions to beneficial interest in assets held by others	(2,722)	(25,115)
Purchases of investments	(27,316)	(3,883)
Net Cash Used In Investing Activities	(126,363)	(86,293)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for investment in endowment	6,195	23,596
Net Increase In Cash And Cash Equivalents	36,021	11,725
CASH AND CASH EQUIVALENTS		
Beginning of year	337,126	325,401
End of year	\$ 373,147	\$ 337,126

See notes to financial statements.

CATHOLIC SOCIAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 - ORGANIZATION

Catholic Social Services, Inc. (CSS or the Organization) is a not-for-profit corporation founded in 1945 and incorporated in 1966, formed exclusively for the purposes of public charity and as the social service agency of the Roman Catholic Diocese of Columbus. CSS enables the hurting or poor to meet needs and live with hope and purpose. CSS's central office is located in Franklin County, with branches in Licking, Muskingum and Scioto Counties.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied by management in the preparation of the accompanying financial statements follows:

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents - CSS considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. CSS maintains its demand deposits in two financial institutions located in Ohio. Cash in financial institutions might exceed federally insured amounts at times.

Custodial Funds - Custodial funds are held by CSS for participants in the payee services program. CSS acts as a temporary custodian of the funds and disburses them on behalf of the clients as directed. CSS does not receive an administrative fee for holding these funds and does not make disbursement decisions with respect to the funds.

Accounts Receivable - At December 31, 2019 and 2018, accounts receivable consisted of grant money from various agencies. Accounts receivable are stated at the amount management expects to collect from outstanding balances (net realizable value). Management provides for probable uncollectible accounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables. Management has determined that an allowance for doubtful accounts is not necessary at December 31, 2019 and 2018. It is reasonably possible that CSS's estimate of the allowance for doubtful accounts will change.

Contributions Receivable - Contributions receivable consist of contributions from the Catholic Diocese of Columbus, the United Way, corporations, foundations and individuals. At December 31, 2019 contributions receivable of approximately \$518,000 are due within one year of the statement of financial position date and contributions receivable of \$275,000 are due within one to five years of the statement of financial position date. Contributions receivable are reflected at their net realizable value. Management has determined that an allowance for contributions receivable is not necessary at December 31, 2019 and 2018. It is reasonably possible that CSS's estimate of the allowance for doubtful accounts will change.

CATHOLIC SOCIAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment - Property and equipment are recorded at the lower of cost or fair value, and depreciation has been provided on the straight-line basis over the estimated useful lives of the assets ranging from three to 40 years. Repairs and maintenance that do not extend the lives of the applicable assets are charged to expense as incurred. Donated property and equipment are recorded at fair value and depreciated over the estimated useful lives.

Investments - CSS's investments consist of money market accounts, fixed income securities, equity securities, and non-directional funds, which are recorded at fair value. Fair value is the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. Realized and unrealized gains and losses are included in investment income in the accompanying statements of activities and changes in net assets. Dividends and interest are recognized when earned.

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

Without Donor Restrictions - Net assets that are free of donor-imposed restriction; all revenues, expenses, gains and losses that are not changes in net assets with donor restrictions.

With Donor Restrictions - Net assets subject to donor-imposed restrictions that will be maintained in perpetuity, or will be met by actions of CSS and/or the passage of time. Generally, the donors of net assets maintained in perpetuity permit CSS to use all or part of the income earned on related investments for general or specific purposes.

Revenue Recognition - CSS records contributions received as revenue in the year unconditionally pledged. These amounts are recorded at their net realizable values. Revenue derived from special events is recognized in the period in which the associated event occurs, unless otherwise specified by the donor. Grant support is recognized over the grant period. Grants received under cost-reimbursement programs are recognized to the extent expenses are incurred or services are performed. Grants received in advance of grant periods are recorded as deferred revenue until services are performed or expenses paid. Bequests are recorded when all requirements for the transfer of the assets to CSS have been met, court orders have been issued and the amount to be received has been determined.

Income Taxes - CSS is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. CSS has not identified any material uncertain income tax positions requiring an accrual or disclosure in the financial statements. There were no interest or penalties recognized in the statements of activities and change in net assets for the years ended December 31, 2019 and 2018 related to uncertain income tax positions. The statutory tax years subsequent to 2016 remain open to examination.

Recent Accounting Pronouncements - In May 2014, the Financial Accounting Standards Board (FASB) issued new accounting guidance related to revenue recognition that replaces all current Generally Accepted Accounting Principles (GAAP) guidance on this topic and eliminates all industry-specific guidance. The guidance provides a unified model to determine when and how revenue is recognized, and is effective for the Organization beginning January 1, 2019.

CATHOLIC SOCIAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The new standard was implemented in 2019 and did not result in an impact to the opening balance of net assets; therefore no adjustment was made. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods.

In June 2018, the FASB issued Accounting Standards Update (ASU) No. 2018-08 Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, which should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958 Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance, and (2) determining whether a contribution is conditional. ASU 2018-08 is effective for transactions in which the entity serves as the resource recipient for annual periods beginning after December 15, 2018. The new standard was implemented in 2019 and did not result in an impact to the opening balance of net assets; therefore no adjustment was made. CSS expects the impact of the new standard to be immaterial to its financial statements on an ongoing basis. For transactions in which the entity serves as the resource provider, ASU 2018-08 is effective for annual periods beginning after December 15, 2019. CSS is currently evaluating the impact of adopting this new accounting guidance on its financial statements.

In February 2016, the FASB issued ASU 2016-02 Leases (Topic 842), is the result of a joint project of FASB and International Accounting Standards Board (IASB) to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The amendments require a lessee to recognize a liability to make lease payments (lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term initially measured at the present value of the lease payments. Companies will be permitted to make an accounting policy election to not recognize leases with a term of 12 months or less. This ASU is effective for annual reporting periods beginning after December 15, 2021. Early application is permitted. CSS is currently evaluating the impact of adopting this new accounting guidance in its financial statements.

In August 2018, the FASB issued Accounting Standards Update 2018-13 (ASU 2018-13), which changes the fair value measurement disclosure requirements of Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement. ASU 2018-13 amends the prior disclosure requirements to add, remove and modify certain fair value measurement disclosures. It is effective for annual periods beginning after December 15, 2019 and early adoption is permitted under the guidance. CSS is currently evaluating the impact of adopting this new accounting guidance in its financial statements.

NOTE 3 - SUBSEQUENT EVENTS

Subsequent events are defined as events or transactions that occur after the statement of financial position date, but before the financial statements are issued or are available to be issued. Management has evaluated subsequent events through June 12, 2020, the date on which the financial statements were available to be issued.

CATHOLIC SOCIAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 3 - SUBSEQUENT EVENTS (Continued)

The coronavirus pandemic and resulting economic uncertainties could materially and adversely affect CSS's operations, government revenue and public support. As of June 2020, CSS has experienced varying degrees of impact across its basic need and essential social service programs. Where there has been a decrease in demand for certain services or the need to discontinue services due to government-imposed restrictions, CSS has directed its resources to increase the number of clients served and the amount of food provided through its food pantries, increase communications with seniors and other vulnerable clients, and adapting its service model for certain programs in order to ensure safety of staff and clients. CSS expects a continued increase in demand for its basic need and essential services as stimulus funds and unemployment benefits are exhausted, but the Organization is also preparing for significant decreases in government revenue and public support for the foreseeable future. As a result, CSS continues to monitor the situation and consider necessary financial and operational changes. While it is premature to accurately predict the ultimate impact of these developments, CSS expects its results for the year ended December 31, 2020 to be impacted.

On April 24, 2020, CSS entered into a term note with a financial institution and received proceeds in the amount of \$667,800 on April 27, 2020, pursuant to the Paycheck Protection Program (PPP Term Note) under the Coronavirus Aid, Relief and Economic Security Act (the CARES Act). The PPP Term Note is evidenced by a promissory note bearing interest at a fixed annual rate of 1.00%, with the first six months of interest deferred. Beginning November 2020, CSS will make 18 equal monthly payments of principal and interest with the final payment due in April 2022. The PPP Term Note may be accelerated upon the occurrence of an event of default. The PPP Term Note is unsecured and guaranteed by the United States Small Business Administration. CSS may apply to the financial institution for 100% or less forgiveness of the PPP Term Note based on the terms and conditions of the loan and the CARES Act.

NOTE 4 - TRANSACTIONS WITH AFFILIATES

CSS occupies certain office space owned by the Catholic Diocese of Columbus (Diocese) at no charge. CSS records a contribution and rental expense based on the Diocese's estimate of the fair value of the rental space. The amount recorded in 2019 and 2018 for this space was approximately \$98,000. In addition, the Diocese also made contributions to CSS of approximately \$120,000 and \$100,000 for 2019 and 2018, respectively.

Certain investments of CSS are held by the Diocese and the Foundation of the Catholic Diocese of Columbus (Catholic Foundation). Investments held by the Diocese and the Catholic Foundation approximated \$3,232,000 and \$3,030,000 at December 31, 2019 and 2018, respectively. In addition, the Catholic Foundation maintains funds contributed to them to be held in perpetuity for which CSS is the named beneficiary. The investment income on these funds is to be distributed to CSS at least annually. The Catholic Foundation did not receive variance power over these funds from the donors.

CATHOLIC SOCIAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 5 - LIQUIDITY AND AVAILABILITY

The following represents CSS's available financial assets at December 31:

	<u>2019</u>	<u>2018</u>
Available financial assets at year end:		
Cash and cash equivalents	\$ 270,596	\$ 372,304
Accounts receivable	319,905	299,863
Contributions receivable	517,598	149,098
Investments	<u>2,451,805</u>	<u>2,025,700</u>
Total Available Financial Assets	<u>\$ 3,559,904</u>	<u>\$ 2,846,965</u>

As part of CSS's liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities and other obligations come due. In addition, CSS invests cash in excess of daily requirements in short-term and long-term investments. CSS's policy is to maintain financial assets equal to an amount not less than 50% of annual operating expenses. Included in contributions receivables above are approximately \$511,000 and \$142,000 of donor-restricted contributions that are available to be used for operations during the following year at December 31, 2019 and 2018, respectively.

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
Furniture, fixtures and equipment	\$ 946,552	\$ 884,962
Transportation equipment	356,047	348,770
Leasehold improvements	<u>129,289</u>	<u>101,829</u>
	1,431,888	1,335,561
Less: Accumulated depreciation and amortization	<u>1,081,543</u>	<u>959,154</u>
	<u>\$ 350,345</u>	<u>\$ 376,407</u>

CATHOLIC SOCIAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 7 - INVESTMENTS

Investments are presented in the financial statements in the aggregate at fair value. The funds are composed primarily of money market funds, fixed income securities, equity securities and non-directional funds.

	2019		2018	
	Cost	Fair Market Value	Cost	Fair Market Value
Investments without donor restrictions:				
Catholic Social Services Fund at Morgan Stanley	\$ 931,767	\$ 1,688,591	\$ 810,398	\$ 1,282,790
Parish Aid Fund	<u>763,214</u>	<u>763,214</u>	<u>742,910</u>	<u>742,910</u>
	<u>1,694,981</u>	<u>2,451,805</u>	<u>1,553,308</u>	<u>2,025,700</u>
Investments with donor restrictions:				
Bouroncle Fund	1,175,807	1,691,403	1,485,157	1,584,289
Bonner Fund	687,941	719,718	659,638	670,421
Kerns Dresser Fund	464,020	461,362	491,368	430,213
Anonymous Fund	<u>20,369</u>	<u>21,281</u>	<u>10,120</u>	<u>9,007</u>
	<u>2,348,137</u>	<u>2,893,764</u>	<u>2,646,283</u>	<u>2,693,930</u>
 Total Investments	 <u>\$ 4,043,118</u>	 <u>\$ 5,345,569</u>	 <u>\$ 4,199,591</u>	 <u>\$ 4,719,630</u>

Net investment income (loss) consists of the following for the years ended December 31:

	2019	2018
Interest and dividend income	\$ 131,583	\$ 125,407
Net unrealized gain (loss) on investments	422,420	(325,110)
Net realized gain on investments	<u>176,202</u>	<u>127,600</u>
	<u>\$ 730,205</u>	<u>\$ (72,103)</u>

NOTE 8 - BENEFICIAL INTEREST IN FUNDS HELD BY OTHERS

Beneficial interest in funds held by others consists of 15 endowment funds at the Catholic Foundation and one at the Columbus Foundation. The Catholic Foundation disburses income from the funds up to 5% of the average market value of the funds over the preceding 12 quarters. The Columbus Foundation makes semiannual grants based on market returns. CSS received approximately \$115,000 and \$117,000 in 2019 and 2018, respectively, from these foundations.

CATHOLIC SOCIAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 8 - BENEFICIAL INTEREST IN FUNDS HELD BY OTHERS (Continued)

The fair market value of the beneficial interest in funds held by others at December 31 consists of the following:

	<u>2019</u>	<u>2018</u>
Without donor restrictions	\$ 582,885	\$ 491,379
With donor restrictions	<u>2,383,373</u>	<u>2,203,511</u>
	<u>\$ 2,966,258</u>	<u>\$ 2,694,890</u>

NOTE 9 - FAIR VALUE MEASUREMENT

Fair value guidance establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under Fair Value Measurement are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that CSS has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

CATHOLIC SOCIAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 9 - FAIR VALUE MEASUREMENT (Continued)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the methodologies used at December 31, 2019 and 2018:

Money Markets: Valued at the daily closing price reported by the fund. Money market funds held by CSS are open-end funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. Money market funds held by CSS are deemed to be actively traded and are classified as Level 1.

Fixed Income Securities, Equity Securities and Non-directional Funds: Valued at the closing price reported on the active market on which the individual securities are traded and are classified as Level 1.

Beneficial Interests in Funds Held by Others: Consist of pooled investments. These investments are valued at CSS's projected future cash flows of their portion of the funds held at year-end and are classified as Level 3.

The methods described above might produce a fair value calculation that might not be indicative of net realizable value or reflective of future fair values. Further, while CSS believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

CATHOLIC SOCIAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 9 - FAIR VALUE MEASUREMENT (Continued)

The following table sets forth by level, within the fair value hierarchy, CSS's assets at fair value as of December 31, 2019 and 2018:

	Assets at Fair Value as of December 31, 2019			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 1,215,495	-	-	\$ 1,215,495
Fixed income securities	1,843,923	-	-	1,843,923
Equity securities	1,609,794	-	-	1,609,794
Non-directional hedge funds	676,357	-	-	676,357
Beneficial interests held by others	-	-	\$ 2,966,258	2,966,258
Total Assets At Fair Value	\$ 5,345,569	-	\$ 2,966,258	\$ 8,311,827

	Assets at Fair Value as of December 31, 2018			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 914,249	-	-	\$ 914,249
Fixed income securities	1,688,801	-	-	1,688,801
Equity securities	1,567,691	-	-	1,567,691
Non-directional hedge funds	548,889	-	-	548,889
Beneficial interests held by others	-	-	\$ 2,694,890	2,694,890
Total Assets At Fair Value	\$ 4,719,630	-	\$ 2,694,890	\$ 7,414,520

Level 3 Gains and Losses - The following table sets forth a summary of changes in the fair value of CSS' Level 3 assets for the years ended December 31, 2019 and 2018:

	Beneficial Interests Held By Others	
	2019	2018
Balance, beginning of year	\$ 2,694,890	\$ 3,034,726
Contributions	6,195	25,115
Investment return:		
Investment income, net of fees	32,802	25,855
Net appreciation (depreciation)	358,782	(269,135)
Appropriation of endowment assets for expenditures	(126,411)	(121,671)
Balance, end of year	\$ 2,966,258	\$ 2,694,890

CATHOLIC SOCIAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 10 - ENDOWMENT FUNDS

The Uniform Prudent Management of Institutional Funds Act (UPMIFA), as enacted by Ohio, sets guidelines to be considered when managing and investing donor-restricted endowment funds. CSS also follows FASB guidance Endowments of Not-For-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds.

The financial goal of CSS's investment policies is to preserve and enhance investment value while supporting current income needs. The goal is to be achieved over time through the combination of prudent investment management in conjunction with an appropriate spending policy.

To meet its needs, the investment strategy of CSS is to emphasize total return, the aggregate return from capital appreciation and dividend and interest income. The primary objective of CSS shall be the long-term growth of capital while avoiding excessive risk. Short-term volatility will be tolerated in as much as it is consistent with the volatility of the comparable market benchmarks.

The asset allocation philosophy is full investment as opposed to market timing. This specific allocation approach is chosen to preserve and enhance the real investment value of the endowment fund over time, minimize the overall portfolio's volatility, and to reflect expected long-term consideration such as liquidity, expected cash inflows and risk tolerances.

CSS's spending from endowment funds is to be determined by a formula, realized from a rolling average of total return (income received and appreciation).

Further, to accomplish the objectives, the endowment investment posture shall be to prudently preserve principal so that investment value over time is maintained after taking into account inflation adjustments. The distribution of income remains at the discretion of CSS's board of directors within the direction of the budget process.

CSS's spending policy is to limit appropriations from endowment funds to no more than 5% of the average market value of the three years preceding the subject fiscal year.

Included in the following table are approximately \$583,000 and \$491,000 of funds without donor restrictions at December 31, 2019 and 2018, respectively, and \$2,383,000 and \$2,204,000 of funds with donor restrictions at December 31, 2019 and 2018, respectively, held at the Columbus Foundation and the Catholic Foundation. These funds are subject to the spending and investing policies of each of the Foundations.

CATHOLIC SOCIAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 10 - ENDOWMENT FUNDS (Continued)

The following represents the change in endowment funds by net asset type for the year ended December 31, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Beginning of year	\$ 715,310	\$ 5,161,937	\$ 5,877,247
Contributions	-	6,195	6,195
Investment return:			
Investment income, net	5,835	117,070	122,905
Net appreciation	145,834	570,749	716,583
Appropriation of endowment assets for expenditures	<u>(16,163)</u>	<u>(368,444)</u>	<u>(384,607)</u>
End of year	<u>\$ 850,816</u>	<u>\$ 5,487,507</u>	<u>\$ 6,338,323</u>

The following represents the change in endowment funds by net asset type for the year ended December 31, 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Beginning of year	\$ 801,265	\$ 5,658,724	\$ 6,459,989
Contributions	1,076	23,596	24,672
Investment return:			
Investment income, net	4,810	82,918	87,728
Net depreciation	(83,389)	(404,554)	(487,943)
Appropriation of endowment assets for expenditures	<u>(8,452)</u>	<u>(198,747)</u>	<u>(207,199)</u>
End of year	<u>\$ 715,310</u>	<u>\$ 5,161,937</u>	<u>\$ 5,877,247</u>

CATHOLIC SOCIAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes as of December 31:

	<u>2019</u>	<u>2018</u>
Subject to the passage of time:		
For use in subsequent periods	\$ 168,056	\$ 149,098
Subject to specified purpose:		
Vulnerable children	1,691,403	1,584,289
Stay the course	687,500	-
Homeless and housing services	719,718	670,421
Case management in Latino community	461,362	430,213
Other assistance	90,000	155,121
	<u>3,649,983</u>	<u>2,840,044</u>
Perpetual in nature:		
Vulnerable seniors	1,706,173	1,585,603
Portsmouth operations	291,714	270,950
Vulnerable mothers and children	180,846	168,240
Homeless families	105,318	93,092
Operations of Catholic Social Services	70,265	58,578
Our Lady of Guadalupe operations	19,533	18,164
Vulnerable poor	9,593	8,884
Other	24,211	9,007
	<u>2,407,653</u>	<u>2,212,518</u>
	<u>\$ 6,225,692</u>	<u>\$ 5,201,660</u>

Donor-restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by the donors for the years ended December 31:

	<u>2019</u>	<u>2018</u>
For use in subsequent period	\$ 287,205	\$ 254,602
Stay the course	224,451	-
Our Lady of Guadalupe operations	205,633	172,795
Vulnerable children	127,791	152,701
Other	119,570	131,366
Homeless and housing services	63,155	87,173
Case management in Latino community	23,602	28,332
Portsmouth operations	33,000	7,500
	<u>\$ 1,084,407</u>	<u>\$ 834,469</u>

CATHOLIC SOCIAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 12 - LEASE OBLIGATIONS

CSS leases certain office space and equipment under operating lease agreements. Many of these agreements are on a month-to-month basis.

Rent expense, which includes non-cancelable and month-to-month operating leases, was approximately \$228,000 and \$225,000 for the years ended December 31, 2019 and 2018, respectively.

The following is a schedule, by year, of future minimum rental payments required under non-cancelable operating leases as of December 31, 2019:

<u>Year Ending</u> <u>December 31</u>	<u>Amount</u>
2020	\$ 157,000
2021	93,000
2022	84,000
2023	62,000
2024	<u>38,000</u>
	<u>\$ 434,000</u>

NOTE 13 - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the programs and other activities have been summarized on a functional basis in the accompanying statement of functional expenses. Specific expenses that are readily identifiable to a program or other activity are charged directly to that function. Certain categories of expenses are attributable to more than one function. These expenses require allocation on a reasonable basis that is consistently applied. Expenses allocated include professional fees, supplies, telephone, equipment rental and maintenance and membership dues, which are allocated based on time and effort. Occupancy is allocated based on square footage.

NOTE 14 - RETIREMENT PLAN

CSS maintains a 403(b) savings and investment retirement plan covering substantially all employees. CSS matches 100% of the employees' contributions up to 3% of compensation, after they have worked for the agency for one year with a minimum of 1,000 hours worked in that year. CSS also may make annual discretionary contributions. CSS's matching contribution expense was approximately \$55,000 and \$46,000 for the years ended December 31, 2019 and 2018, respectively. CSS did not make any discretionary contributions in 2019 and 2018.

NOTE 15 - CONTINGENCY

The grant contracts are subject to audit by agents of the granting authorities, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Revenues generated by the grant contracts may be disallowed in subsequent periods as a result of those audits.

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