

Consolidated Financial Statements and
Report of Independent Certified Public
Accountants

**Catholic Charities of Fairfield County, Inc. and
Affiliate**

June 30, 2019 and 2018

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
Catholic Charities of Fairfield County, Inc.

Report on the financial statements

We have audited the accompanying consolidated financial statements of Catholic Charities of Fairfield County, Inc. and Affiliate (collectively, "Catholic Charities"), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Catholic Charities' preparation and fair presentation of the consolidated 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 Catholic Charities' 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Catholic Charities of Fairfield County, Inc. and Affiliate as of June 30, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Stamford, Connecticut
March 23, 2020

Catholic Charities of Fairfield County, Inc. and Affiliate

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of June 30, 2019 and 2018

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 1,448,587	\$ 2,354,404
Investments - other	2,075,652	1,643,653
Accounts receivable, net	201,990	168,113
Contributions receivable	51,230	151,280
Bequests receivable	21,089	11,089
Grants receivable	677,350	671,370
Due from Diocese of Bridgeport, net	988,616	655,040
Other accounts receivable	4,158	2,959
Prepaid expenses	170,784	126,604
Property and equipment, net	1,250,244	1,575,426
Total assets	\$ 6,889,700	\$ 7,359,938
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 1,651	\$ 101,129
Accrued expenses	887,919	754,787
Due to related entities	139,929	68,458
Refundable advances	348,632	104,085
Conditional asset retirement obligation	-	61,748
Total liabilities	1,378,131	1,090,207
NET ASSETS		
Without donor restrictions	3,487,679	4,515,101
With donor restrictions	2,023,890	1,754,630
Total net assets	5,511,569	6,269,731
Total liabilities and net assets	\$ 6,889,700	\$ 7,359,938

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

Catholic Charities of Fairfield County, Inc. and Affiliate

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the years ended June 30, 2019 and 2018

	2019			2018		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenues, support and other changes						
Federal and state grants	\$ 4,844,803	\$ -	\$ 4,844,803	\$ 4,920,764	\$ -	\$ 4,920,764
Bequests and contributions	940,734	474,799	1,415,533	1,351,670	1,551,409	2,903,079
Program service revenue	1,128,185	-	1,128,185	1,132,332	-	1,132,332
Annual Catholic Appeal	981,597	-	981,597	1,227,288	-	1,227,288
In-kind contributions	703,720	-	703,720	686,897	-	686,897
Special events	701,057	-	701,057	796,082	-	796,082
Non-governmental grants	644,663	-	644,663	710,272	-	710,272
Other revenue	6,607	-	6,607	3,800	-	3,800
Total revenue and support before net assets released from restrictions	9,951,366	474,799	10,426,165	10,829,105	1,551,409	12,380,514
Net assets released from restrictions	205,539	(205,539)	-	180,323	(180,323)	-
Total revenue and support	10,156,905	269,260	10,426,165	11,009,428	1,371,086	12,380,514
Expenses						
Program services	8,945,246	-	8,945,246	9,131,558	-	9,131,558
Management and general	1,446,813	-	1,446,813	1,310,956	-	1,310,956
Development and fundraising	468,488	-	468,488	463,201	-	463,201
Total expenses	10,860,547	-	10,860,547	10,905,715	-	10,905,715
(Loss) income from operations before depreciation and accretion	(703,642)	269,260	(434,382)	103,713	1,371,086	1,474,799
Depreciation and accretion	209,437	-	209,437	225,787	-	225,787
(Loss) income from operations before nonoperating activities	(913,079)	269,260	(643,819)	(122,073)	1,371,086	1,249,013
Nonoperating activities						
Loss on disposal of fixed assets	(160,919)	-	(160,919)	-	-	-
Investment income, net	46,576	-	46,576	9,542	-	9,542
Change in net assets	(1,027,422)	269,260	(758,162)	(112,531)	1,371,086	1,258,555
Net assets, beginning of year	4,515,101	1,754,630	6,269,731	4,627,632	383,544	5,011,176
Net assets, end of year	\$ 3,487,679	\$ 2,023,890	\$ 5,511,569	\$ 4,515,101	\$ 1,754,630	\$ 6,269,731

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

Catholic Charities of Fairfield County, Inc. and Affiliate

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2019

	Program services					Total	Management and General	Development and Fundraising	Total
	Nutrition	Behavioral Health	Family	Community	Housing				
Compensation and benefits	\$ 1,423,313	\$ 535,983	\$ 1,489,095	\$ 968,970	\$ 631,413	\$ 5,048,774	\$ 946,302	\$ 322,398	\$ 6,317,474
Client support	924,565	149	27,013	7,691	418,679	1,378,097	265	-	1,378,362
Professional fees and contractual services	86,855	228,853	14,778	100,287	1,112	431,885	277,999	1,480	711,364
Occupancy	333,326	175,110	194,515	169,354	92,191	964,496	51,494	5,027	1,021,017
Office	112,133	57,730	53,403	54,398	32,606	310,270	119,992	10,587	440,849
Travel, meetings and conferences	57,373	2,581	5,400	27,185	15,465	108,004	35,094	10,345	153,443
In-kind expense	703,720	-	-	-	-	703,720	-	-	703,720
Special events	-	-	-	-	-	-	-	118,651	118,651
Bad debt	-	-	-	-	-	-	15,667	-	15,667
Total expenses before depreciation and accretion	3,641,285	1,000,406	1,784,204	1,327,885	1,191,466	8,945,246	1,446,813	468,488	10,860,547
Depreciation and accretion	168,696	194	11,532	5,000	22,763	208,185	1,252	-	209,437
Total expenses	\$ 3,809,981	\$ 1,000,600	\$ 1,795,736	\$ 1,332,885	\$ 1,214,229	\$ 9,153,431	\$ 1,448,065	\$ 468,488	\$ 11,069,984

The accompanying notes are an integral part of this consolidated financial statement.

Catholic Charities of Fairfield County, Inc. and Affiliate
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2018

	Program Services						Management and General	Development and Fundraising	Total
	Nutrition	Behavioral Health	Family	Community	Housing	Total			
Compensation and benefits	\$ 1,352,730	\$ 568,197	\$ 1,477,667	\$ 1,006,058	\$ 725,300	\$ 5,129,952	\$ 814,138	\$ 278,937	\$ 6,223,027
Client support	959,752	32	29,353	13,050	402,792	1,404,979	-	-	1,404,979
Professional fees and contractual services	88,245	264,697	10,042	81,787	56,371	501,142	326,147	6,019	833,308
Occupancy	333,694	169,222	204,618	148,664	85,250	941,448	50,733	4,037	996,218
Office	96,146	71,122	56,469	57,451	83,679	364,867	106,071	7,190	478,128
Travel, meetings and conferences	52,178	3,023	4,077	31,399	11,596	102,273	9,062	465	111,800
In-kind expense	686,897	-	-	-	-	686,897	-	-	686,897
Special events	-	-	-	-	-	-	-	166,553	166,553
Bad debt	-	-	-	-	-	-	4,805	-	4,805
Total expenses before depreciation and accretion	3,569,642	1,076,293	1,782,226	1,338,409	1,364,988	9,131,558	1,310,956	463,201	10,905,715
Depreciation and accretion	152,261	194	11,721	19,230	31,172	214,578	11,209	-	225,787
Total expenses	\$ 3,721,903	\$ 1,076,487	\$ 1,793,947	\$ 1,357,639	\$ 1,396,160	\$ 9,346,136	\$ 1,322,165	\$ 463,201	\$ 11,131,502

The accompanying notes are an integral part of this consolidated financial statement.

Catholic Charities of Fairfield County, Inc. and Affiliate

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Changes in net assets	\$ (758,162)	\$ 1,258,555
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Depreciation and accretion	209,437	225,787
Bad debt expense	15,667	4,805
Loss on disposal of fixed assets	160,919	-
Changes in operating assets and liabilities		
Accounts receivable	(49,544)	(76,831)
Contributions receivable	100,050	50,227
Bequests receivable	(10,000)	(11,089)
Grants receivable	(5,980)	(249,233)
Due from Diocese of Bridgeport, net	(333,576)	(239,838)
Other accounts receivable	(1,199)	3,691
Prepaid expenses	(44,180)	97,788
Accounts payable	(99,477)	(59,023)
Accrued expenses	133,132	171,145
Due to related entities	71,471	49,434
Refundable advances	244,547	(143,620)
Conditional asset retirement obligation	(62,804)	-
	(429,699)	1,081,798
Cash flows from investing activities:		
Purchase of investments - other	(2,070,000)	(1,643,653)
Proceeds from sales of investments - other	1,638,000	-
Purchase of property and equipment	(44,118)	(7,367)
	(476,118)	(1,651,020)
Net cash used in investing activities	(476,118)	(1,651,020)
Net decrease in cash and cash equivalents	(905,817)	(569,222)
Cash and cash equivalents, beginning of year	2,354,404	2,923,626
Cash and cash equivalents, end of year	\$ 1,448,587	\$ 2,354,404

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

Catholic Charities of Fairfield County, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE 1 - ORGANIZATION

Catholic Charities of Fairfield County, Inc. ("CCFC") is a not-for-profit, non-stock corporation organized under the laws of the State of Connecticut in April 1955 by the Bridgeport Roman Catholic Diocesan Corporation (the "Diocese"). The members of CCFC are the Bishop, the Vicar(s) General, the Chancellor of the Diocese, the President of CCFC, and such other members appointed by the Bishop. No less than six members are appointed. CCFC has a Board of Directors consisting of those members and up to nineteen lay people. The mission of CCFC is to put faith into action by providing food, housing, mental health, adoption, immigration and family support services to the needy and vulnerable of all faiths in Fairfield County, Connecticut.

Catholic Charities of Fairfield County Holdings, LLC ("CCFCH"), a single member limited liability company established by CCFC, was organized under the laws of the State of Connecticut in September 2012 to own the real estate to provide transitional housing facilities to support CCFC's mission.

Accordingly, the accompanying consolidated financial statements, along with the related disclosures thereto, reflect the activities of CCFC and CCFCH (collectively, "Catholic Charities").

Program Services

Catholic Charities provides the following services:

Food Services - Food services include two of the State of Connecticut's largest food cafes/soup kitchens serving the homeless and working poor, a mobile breakfast program, food pantries, and a congregate and home delivered meal program for homebound elderly.

Behavioral Health - Behavioral health services provide family and individual counseling throughout Fairfield County, Connecticut. CCFC provides affordable and accessible mental health services to economically disadvantaged individuals and families. Behavioral health services have district offices in Danbury and Norwalk, Connecticut.

Family - Family services provide school readiness for children who would otherwise not receive pre-school preparation, through the Room to Grow Early Childhood Education Center, as well as a full array of Family Directional services including adoption and pregnancy outreach activities. Immigration Services provide affordable counseling and legal assistance to immigrant families regardless of race, religion, or economic status and is accredited by the U.S. Department of Justice to meet a broad spectrum of challenges normally faced by families new to the United States.

Community Support - The Community Support services program provides assistance, training, counseling and family support services to individuals and families who are chronically homeless or dealing with substance abuse or mental health issues. The Family Loan program helps working parents obtain small bank loans to prevent loss of employment.

Housing - Housing services programs provide rental assistance and support services to formerly homeless families and individuals who have documented disabilities. The support services assist these families and individuals with life skills as they move towards self-sufficiency. Housing programs consist of a network of both transitional and permanent housing.

Catholic Charities of Fairfield County, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying consolidated financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), with all significant intercompany balances and transactions eliminated. Accordingly, the classification of Catholic Charities' net assets and its revenues, support, and expenses are based on the existence or absence of donor-imposed restrictions.

Change in Accounting Guidance

In 2019, Catholic Charities adopted new U.S. GAAP guidance regarding the Presentation of Financial Statements for Not-for-Profit Entities. This guidance requires Catholic Charities to collapse the three-category (unrestricted, temporarily restricted, and permanently restricted) classification of net assets into two categories: with donor restrictions and without donor restrictions. In addition, the new guidance requires Catholic Charities to make certain expanded disclosures relating to (1) the liquidity of financial assets; and (2) expenses by both their natural and functional classification in one location in the financial statements. As a result of implementing this standard, prior year amounts for unrestricted net assets were reclassified to net assets without donor restrictions and temporarily and permanently restricted net assets were reclassified to net assets with donor restrictions.

Classifications of Net Assets

Catholic Charities reports its net assets and changes therein based on the existence or absence of donor-imposed restrictions as follows:

Net Assets Without Donor Restrictions - consist of resources available for the general support of Catholic Charities' operations, which may be used at the discretion of management.

Net Assets With Donor Restrictions - net assets subject to the following donor-imposed stipulations:

Some donor restrictions are temporary in nature, and either expire with the passage of time or can be fulfilled by the actions of Catholic Charities pursuant to those stipulations. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. However, when restrictions on donor-restricted contributions and investment return are met in the same accounting period, such amounts are reported as part of net assets without donor restrictions.

Other donor restrictions consist of funds that are subject to donor-imposed restrictions of gift instruments requiring that the principal be invested in perpetuity and the income be used for specific or general purposes. Catholic Charities has no such net assets at June 30, 2019 and 2018.

Cash and Cash Equivalents

Catholic Charities considers all highly liquid investments with original maturities of less than 90 days from the date of purchase to be cash equivalents.

Investments - Other

Investments - other consist of certificates of deposit ("CD") with original maturities of greater than 90 days in accordance with the investment policy. The book value as of June 30, 2019 and 2018 is \$2,075,652 and \$1,643,653, respectively.

Catholic Charities of Fairfield County, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

Fair Value Measurement

The Financial Accounting Standards Board (“FASB”) Topic 820, under the FASB Accounting Standards Codification (“ASC”) defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This standard provides a consistent definition of fair value, which focuses on an exit price between market participants in an orderly transaction. The standard also prioritizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the respective asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is categorized into three levels based on the transparency of inputs as follows:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.
- Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities include investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed.
- Level 3 - Securities that have little to no pricing observability as of the report date. These securities are measured using management’s best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes “observable” requires significant judgment by the reporting entity. Catholic Charities considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to Catholic Charities’ perceived risk of that instrument.

Catholic Charities’ policy is to recognize transfers in and transfers out of levels at the end of the reporting period.

Accounts Receivable

Catholic Charities generally does not require collateral or other security in providing health care and other services to clients. However, Catholic Charities routinely obtains assignment of clients’ benefits payable under their health care insurance programs, plans or policies. Because of the uncertainty surrounding collection, management provides an allowance for doubtful accounts based on consideration of the type of receivable, responsible party, credit history, and comparative aging. Accounts receivable balances are written-off when management has determined that all reasonable methods of collection have been exhausted. Any payments subsequently received on such receivables are recorded as income in the period received. As of June 30, 2019 and 2018, Catholic Charities recorded an allowance for doubtful accounts of \$57,777 and \$42,110, respectively.

Catholic Charities of Fairfield County, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

Property and Equipment

Property acquisitions and improvements are stated at cost, or in the case of donations, at fair value as determined on the date of gift. Additions and improvements that exceed \$2,500 and with useful lives greater than three years are capitalized and depreciated on a straight-line basis over the following estimated useful lives:

Buildings	30 - 40 years
Furniture and fixtures	3 - 5 years
Automobiles	3 - 5 years
Computer equipment	3 - 5 years

Leasehold improvements are amortized over the estimated useful lives of the improvements or the term of the leases to which they pertain, whichever is shorter. Repairs and maintenance are charged to expense as incurred.

Bequests and Contributions

Contributions, including unconditional promises to give, are reported as revenues in the period received. Unconditional promises to give in greater than one year are discounted to reflect the present value of future cash flows using a credit adjusted discount rate assigned in the year the respective pledge originates. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restriction, if any. An allowance for uncollectible contributions receivable is provided in the net asset class in which the contribution receivable resides, based on an assessment of the creditworthiness of the respective donor. Contributions are written-off when determined to be uncollectible. Based on management's history with donors having outstanding balances, Catholic Charities has concluded that a reserve is not deemed necessary at June 30, 2019 and 2018. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

In-Kind Contributions

Contributed goods and services for the years ended June 30, 2019 and 2018 consisted of donated space for the Senior Nutrition programs, food, clothing and toys for the School Readiness and Housing Programs, and other miscellaneous supplies received for programmatic activities.

Catholic Charities has recorded the estimated fair value of donated property and services as follows for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Donated program space	\$ 264,905	\$ 264,905
Donated food, clothing, toys, and supplies	438,815	421,992
	<u>\$ 703,720</u>	<u>\$ 686,897</u>

Governmental and Non-Governmental Grants

Grant revenue is recognized to the extent that allowable program expenditures have been incurred in accordance with the terms of the related agreement to which they pertain. Based on management's history with government agencies having outstanding balances, it has concluded that a reserve is not deemed necessary at June 30, 2019 and 2018.

Catholic Charities of Fairfield County, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

Program Services Revenue

Program services revenue is recognized when services are provided. Catholic Charities bills for services and recognizes revenue using a sliding fee scale based on patient family income levels.

Program services revenue consisted of the following for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Nutrition	\$ 229,750	\$ 234,244
Behavioral Health	345,871	442,648
Family	525,347	441,910
Community	7,502	7,430
Housing	19,715	6,100
	<u>\$ 1,128,185</u>	<u>\$ 1,132,332</u>

Refundable Advances

Amounts from grants, contracts and other funds for related program services received in advance but unearned are reflected as refundable advances in the consolidated statements of financial position and are subsequently reflected in the consolidated statements of activities during the period to which they apply as the funds are expended and earned.

Conditional Asset Retirement Obligation

Catholic Charities has a conditional asset retirement obligation ("CARO") for asbestos material associated with the Merton Single Room Occupancy ("SRO"), which it owns. This obligation is defined as a legal obligation associated with the future retirement of a tangible long-lived asset in which the timing and/or method of settlement is conditional on a future event that may or may not be within the control of Catholic Charities. The present value of this obligation and resulting accretion expense, together with the related asset retirement cost capitalized, accumulated depreciation and depreciation expense, are recognized in the accompanying consolidated financial statements. As of June 30, 2019 and 2018, the CARO totaled \$0 and \$61,748, respectively. The SRO was disposed of during fiscal year 2019, and the conditional asset retirement obligation was satisfied.

For the years ended June 30, 2019 and 2018, the accretion of interest related to the CARO totaled \$1,056 and \$2,535, respectively.

Functional Expense Allocation

Expenses are charged directly to Catholic Charities program services, management and general, and development and fundraising, and are based on specific identification to the extent practicable. Expenses related to more than one function have been allocated using consistent methodologies determined by management, amongst the programs and supporting services benefited. Those expenses include personnel costs, client support, occupancy, professional fees and contractual services, office, travel, meetings and conferences, special events and depreciation. Management and general expenses include those expenses that are not directly identifiable with a specific function, but provide for the overall support and direction of Catholic Charities.

Catholic Charities of Fairfield County, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

Operating Measure

Catholic Charities classifies its consolidated statements of activities into operating and non-operating activities. Operating activities principally include all income and expenses related to carrying out Catholic Charities' mission, including interest and dividends from Catholic Charities operations. Non-operating activities include gain or loss on disposition of assets, gain or loss on conditional asset retirement obligations, interest and dividends not included in operating activities, realized and unrealized return (losses) on investments and other activities considered to be of a more unusual or nonrecurring nature, if any.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP 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 consolidated statement of financial position and the reported amounts of revenues and expenses during the reporting period. The most significant management judgments and estimates used in the preparation of the accompanying consolidated financial statements relate to the determination of depreciation and accretion expense, allowances for doubtful accounts related to receivables, the value of in-kind contributions and conditional asset retirement obligations. Actual results could differ from those estimates.

Concentration of Market and Credit Risks

Cash, cash equivalents and investments-other are exposed to interest rate, market, and credit risks. Catholic Charities maintains its cash and cash equivalents in various bank deposit accounts that, at times, may exceed federally insured limits. To minimize risk, Catholic Charities' cash accounts are placed with high-credit quality financial institutions, and CCFC's investment portfolio is diversified with several investment managers in a variety of asset classes. Catholic Charities regularly evaluates its deposit arrangements and investments, including performance thereof.

Catholic Charities receives a significant portion of its funding from federal and state grants. As with all grants, there is a risk that future grants will be reduced or eliminated. A significant reduction in grant funding would have a significant impact on Catholic Charities' program services. However, no such reductions have been communicated by sponsors or are otherwise known at present.

Income Taxes

Catholic Charities recognizes an individual tax position in its consolidated financial statements based upon whether the tax position is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Catholic Charities has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; determine its filing and tax obligations in jurisdictions for which it has nexus; and to review other matters that may be considered tax positions. As of June 30, 2019 and 2018, management has determined that Catholic Charities has no material uncertain tax positions that would require recognition or disclosure in its consolidated financial statements.

In an annually updated ruling, the Internal Revenue Service has held that agencies, instrumentalities and educational, charitable, and religious institutions operated, supervised, or controlled by or in connection with the Roman Catholic Church in the United States, its territories or possessions appearing in "The Official Catholic Directory" are exempt from federal income tax under provisions of Section 501(c)(3) of the Internal Revenue Code. Catholic Charities is listed in "the Official Catholic Directory" and therefore is exempt from income tax. Accordingly, the accompanying consolidated financial statements reflect no provision for income taxes.

Catholic Charities of Fairfield County, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

Liquidity and Availability

Catholic Charities' working capital and cash flows have cyclical variations during the year attributable to the cash receipts for contributions, Federal and State grant distributions and Diocesan allocations from the Annual Catholic Appeal.

Total financial assets available to meet cash needs for general expenditures within one year at June 30, 2019 are as follows:

Cash and cash equivalents	\$ 1,448,587
Investments - other	2,075,652
Accounts receivable, net	201,990
Contributions receivable	51,230
Bequests receivable	21,089
Grants receivable	677,350
Due from Diocese of Bridgeport, net	988,616
Other accounts receivable	4,158
Financial assets as of fiscal year end	5,468,672
Less amounts unavailable for general expenditures due to grantor time and purpose restrictions	(2,023,890)
Financial assets as of fiscal year end available to meet needs for general expenditures	\$ 3,444,782

Reclassifications

Certain accounts in the prior year consolidated financial statements have been reclassified for comparative purposes to conform with the presentation in the current year consolidated financial statements. These reclassifications have no effect on previously reported change in net assets.

Subsequent Events

Catholic Charities evaluated its June 30, 2019 consolidated financial statements for subsequent events through March 23, 2020, the date the consolidated financial statements were available to be issued. Catholic Charities is not aware of any subsequent events that would require recognition or disclosure in the accompanying consolidated financial statements.

NOTE 3 - CONTRIBUTIONS RECEIVABLE

Contributions receivable, at June 30, 2019 and 2018 were expected to be collected as follows:

	2019	2018
Amounts expected to be collected in:		
One year or less	\$ 51,230	\$ 101,280
Between one and five years	-	50,000
	\$ 51,230	\$ 151,280

Catholic Charities of Fairfield County, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

During fiscal 2019 and 2018, Catholic Charities recognized bequest revenue totaling \$657,111 and \$1,551,409, respectively, which has been included within bequests and contributions in the accompanying consolidated statements of activities.

Additionally, Catholic Charities has been notified of certain other intentions to give under various wills and trust agreements, the realizable amounts of which are not presently determinable. Catholic Charities' share of such bequests will be recorded when Catholic Charities has an irrevocable right to the bequest and the proceeds are measurable.

NOTE 4 - PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Buildings	\$ 662,781	\$ 804,851
Furniture and fixtures	312,845	306,289
Automobiles	376,948	376,948
Computer equipment	25,367	25,367
Leasehold improvements	<u>2,248,565</u>	<u>2,377,795</u>
	3,626,506	3,891,250
Less: Accumulated depreciation	<u>(2,533,512)</u>	<u>(2,473,074)</u>
	1,092,994	1,418,176
Land	<u>157,250</u>	<u>157,250</u>
	<u>\$ 1,250,244</u>	<u>\$ 1,575,426</u>

Depreciation expense for the years ended June 30, 2019 and 2018 totaled \$208,381 and \$223,252, respectively.

NOTE 5 - DEFINED CONTRIBUTION PLANS

Catholic Charities participates in the Diocese-maintained defined-contribution 401(a) thrift plan covering all Catholic Charities employees who work at least 30 hours per week and who meet the eligibility requirements of one year of service, and who are 21 years of age. Contributions are based on years of service at rates of 3%, 5% or 7%. Catholic Charities' contributions to the plan on behalf of eligible employees totaled approximately \$180,000 and \$170,000 for the years ended June 30, 2019 and 2018, respectively.

Catholic Charities also provides for employee-only participation in a Diocese maintained 403(b) salary reduction plan for all employees who wish to contribute. Catholic Charities does not make any contributions to this plan.

Catholic Charities of Fairfield County, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

NOTE 6 - RELATED-PARTY TRANSACTIONS

Catholic Charities receives contributions from the Annual Catholic Appeal of the Diocese to fund its operations, as well as proceeds from special collections conducted by parishes of the Diocese. Amounts due from the Diocese totaled \$988,616 and \$655,040 for the years ended June 30, 2019 and 2018, respectively.

Additionally, Catholic Charities provides services to Diocesan entities consisting primarily of social services to clergy and to its Catholic schools. During the fiscal years ended June 30, 2019 and 2018, revenue earned from social services provided to Diocesan entities, and included in behavioral health services program revenue, totaled approximately \$5,500 and \$2,300, respectively.

Catholic Charities participates in employee benefit and insurance programs sponsored by the Diocese for all Diocesan entities and the Diocese provides various services and office space to Catholic Charities. Expenses for these programs and services were as follows for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Employee benefit and insurance programs	\$ 872,794	\$ 1,010,864
Support services	161,641	159,131
Office space and related services	80,328	104,328
	<u>\$ 1,114,763</u>	<u>\$ 1,274,323</u>

NOTE 7 - COLLABORATION AGREEMENT

In July 2015, Catholic Charities entered into an agreement with St. Vincent's Medical Center (the "Medical Center"), to combine, in a collaborative effort, Catholic Charities' outpatient behavioral health services with St. Vincent's. The belief is that this collaboration will enhance the provision of a full complement of outpatient behavioral health services to patients in the greater Bridgeport area served by Catholic Charities and the Medical Center. This collaborative agreement runs through June 30, 2020 (the "Initial Term"), and stipulates that Catholic Charities agrees to make a financial contribution of 50% of the operating loss of the Medical Center, up to the extent that such loss is attributable to the provisions of Catholic Charities services, up to a maximum of \$150,000 for each of the fiscal years under the agreement. At the end of the Initial Term, as defined, the Agreement will automatically renew for additional one-year periods until terminated by either party upon ninety days written notice. For the years ended June 30, 2019 and 2018, Catholic Charities' share of the operating loss was \$131,859 and \$124,472, respectively, which has been included as part of accrued expenses and behavioral health expense in the accompanying consolidated financial statements.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Lease Commitments

Catholic Charities leases various office equipment, facilities and vehicles under operating leases, which expire at various dates through August 2027. Rent expense for the years ended June 30, 2019 and 2018 totaled \$702,443 and \$641,828, respectively.

Catholic Charities of Fairfield County, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

At June 30, 2019, future minimum lease payments due under these operating leases follow:

<u>Fiscal Year</u>	<u>Rent Payments</u>			<u>Total Amount</u>
	<u>New Covenant Center</u>	<u>Other Real Estate</u>	<u>Vehicles and Copiers</u>	
2020	\$ 95,150	\$ 517,385	\$ 37,582	\$ 650,117
2021	95,150	407,057	29,447	531,654
2022	95,150	363,377	28,129	486,656
2023	95,150	308,699	27,000	430,849
2024	95,150	170,424	2,250	267,824
Thereafter	15,858	285,403	-	301,261
	<u>\$ 491,608</u>	<u>\$ 2,052,345</u>	<u>\$ 124,408</u>	<u>\$ 2,668,361</u>

Future rental commitments pertaining to other real estate are related to programs held at various sites throughout the State of Connecticut.

In addition to the leases described above, Catholic Charities also has certain other operating leases that operate on a month to month basis.

Contingencies

Catholic Charities receives funding in the form of state and federal grant programs, Medicaid and Medicare reimbursements. In accordance with the terms of certain government grants and contracts, the records of Catholic Charities are subject to further review and audit by the granting agencies and Medicaid and Medicare after the date of final payment of the contracts. Such reviews and audits may result in Catholic Charities incurring disallowances or other liabilities to the grantors. At June 30, 2019 and 2018, there are no known liabilities in connection with such reviews. It is the opinion of management, however, that disallowances or other liabilities, if any, will not have a material adverse effect on the accompanying consolidated financial statements.

Catholic Charities, in the normal course of its operations, is a party to various legal proceedings and complaints, some of which are covered by insurance. While it is not feasible to predict the ultimate outcomes of such matters, management of Catholic Charities is not aware of any claims or contingencies which are not covered by insurance that would have a material adverse effect on Catholic Charities' consolidated financial position, changes in net assets or cash flows.

Catholic Charities of Fairfield County, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

Restricted net assets consisted of the following at June 30:

	2019	2018
Time restrictions	\$ 51,230	\$ 151,280
Purpose restrictions:		
Thomas Merton Center	1,906,850	1,550,850
Education assistance fund	30,426	36,026
Room to Grow	26,234	15,914
Other	4,980	560
Behavioral Health	2,500	-
Immigration services	1,670	-
	\$ 2,023,890	\$ 1,754,630
Total net assets with donor restrictions	\$ 2,023,890	\$ 1,754,630

Net assets were released from restrictions by incurring expenses satisfying the following donor-stipulated purpose or time restrictions for the years ended June 30:

	2019	2018
Time restrictions	\$ 100,050	\$ 130,970
Purpose restrictions:		
Thomas Merton Center	95,999	-
Education assistance fund	5,600	5,392
Room to Grow	3,890	897
Immigration	-	40,000
New Covenant Center	-	3,064
	\$ 205,539	\$ 180,323
Total net assets released from restrictions	\$ 205,539	\$ 180,323