

CATHOLIC CHARITIES DIOCESE OF TOLEDO, INC.

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

CATHOLIC CHARITIES DIOCESE OF TOLEDO, INC.

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Catholic Charities Diocese of Toledo, Inc.
1933 Spielbusch Avenue
Toledo, Ohio 43697

We have audited the accompanying financial statements of Catholic Charities Diocese of Toledo, Inc. (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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 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 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 Toledo, Inc. as of June 30, 2018 and 2017 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read "Nelson Charles L. H.", is written in a cursive style.

November 27, 2018

CATHOLIC CHARITIES DIOCESE OF TOLEDO, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and 2017

ASSETS

	<u>2018</u>	<u>2017</u>
Cash and Cash Equivalents	\$ 1,192,842	\$ 755,055
Investments	891,465	905,677
Grants and Contracts Receivable	264,395	180,503
Accounts Receivable	47,780	64,664
Prepaid Expenses	97,554	59,433
Property and Equipment - Net of Accumulated Depreciation of \$507,453 and \$464,145	<u>259,413</u>	<u>288,153</u>
TOTAL ASSETS	<u><u>\$ 2,753,449</u></u>	<u><u>\$ 2,253,485</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts Payable	\$ 159,335	\$ 145,510
Deferred Revenue	96,039	98,321
Accrued Pension	37,006	37,357
Accrued Wages and Vacation	<u>101,774</u>	<u>81,880</u>
TOTAL LIABILITIES	394,154	363,068

NET ASSETS

Unrestricted:		
Undesignated	1,433,415	993,654
Board Designated	229,807	229,807
Temporarily Restricted	<u>696,073</u>	<u>666,956</u>
TOTAL NET ASSETS	<u><u>2,359,295</u></u>	<u><u>1,890,417</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,753,449</u></u>	<u><u>\$ 2,253,485</u></u>

**"The Accompanying Notes are an Integral
Part of These Financial Statements"**

CATHOLIC CHARITIES DIOCESE OF TOLEDO, INC.
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2018 and 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT						
Diocesan Allocation, Support & Toledo Catholic Charities Corp.	\$ 844,292	\$ -0-	\$ 844,292	\$ 942,418	\$ -0-	\$ 942,418
Grants and Contracts:						
United Way Agencies	-0-	164,298	164,298	-0-	195,066	195,066
Federal Grants	-0-	672,593	672,593	-0-	564,865	564,865
State and Local Grants	-0-	378,929	378,929	-0-	246,885	246,885
Foundations	-0-	577,935	577,935	-0-	655,514	655,514
Program Service Fees	6,365	-0-	6,365	104,269	-0-	104,269
Contributions, Legacies & Bequests	1,763,361	464,799	2,228,160	1,005,086	435,486	1,440,572
Investment Income	67,680	-0-	67,680	109,550	-0-	109,550
Other	55,789	-0-	55,789	54,553	-0-	54,553
Net Assets Released from Restrictions	2,229,437	(2,229,437)	-0-	2,045,537	(2,045,537)	-0-
TOTAL REVENUE AND SUPPORT	4,966,924	29,117	4,996,041	4,261,413	52,279	4,313,692
EXPENSES						
Program	3,277,425	-0-	3,277,425	3,006,058	-0-	3,006,058
Management and General	826,120	-0-	826,120	743,141	-0-	743,141
Fundraising	423,618	-0-	423,618	345,712	-0-	345,712
TOTAL EXPENSES	4,527,163	-0-	4,527,163	4,094,911	-0-	4,094,911
CHANGE IN NET ASSETS	439,761	29,117	468,878	166,502	52,279	218,781
NET ASSETS - BEGINNING OF YEAR	1,223,461	666,956	1,890,417	1,056,959	614,677	1,671,636
NET ASSETS - END OF YEAR	\$ 1,663,222	\$ 696,073	\$ 2,359,295	\$ 1,223,461	\$ 666,956	\$ 1,890,417

**"The Accompanying Notes are an Integral
Part of These Financial Statements"**

CATHOLIC CHARITIES DIOCESE OF TOLEDO, INC.
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 468,878	\$ 218,781
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	46,508	47,294
Loss on Disposal of Property and Equipment	-0-	14,018
Net Realized and Unrealized Gain on Investments	(8,159)	(86,841)
Changes in Operating Assets and Liabilities that Increase (Decrease) Cash Flows:		
Grants and Contracts Receivable	(83,892)	(76,997)
Pledge Receivable	-0-	40,862
Accounts Receivable	16,884	81,060
Prepaid Expenses	(38,121)	(38,781)
Accounts Payable	13,825	18,716
Deferred Revenue	(2,282)	(55,849)
Accrued Pension	(351)	254
Accrued Wages and Vacation	<u>19,894</u>	<u>10,830</u>
Total Adjustments	<u>(35,694)</u>	<u>(45,434)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	433,184	173,347
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(17,768)	(101,058)
Proceeds from Sale of Investments	111,652	32,583
Purchase of Investments	<u>(89,281)</u>	<u>(59,782)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>4,603</u>	<u>(128,257)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	437,787	45,090
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>755,055</u>	<u>709,965</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,192,842</u>	<u>\$ 755,055</u>

"The Accompanying Notes are an Integral Part of These Financial Statements"

CATHOLIC CHARITIES DIOCESE OF TOLEDO, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2018 and 2017

	2018			2017				
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries	\$ 1,128,981	\$ 428,231	\$ 165,445	\$ 1,722,657	\$ 1,127,645	\$ 327,157	\$ 153,693	\$ 1,608,495
Specific Assistance to Individuals	1,062,836	-0-	-0-	1,062,836	939,688	-0-	-0-	939,688
Employee Benefits	292,886	170,223	32,240	495,349	302,406	156,954	16,783	476,143
Contract Services								
and Professional Fees	181,475	44,993	144,293	370,761	78,506	38,818	106,521	223,845
Occupancy	165,116	67,942	10,038	243,096	135,894	84,986	7,715	228,535
Payroll Taxes	82,680	31,506	12,318	126,504	82,669	49,546	12,093	144,308
Maintenance, Repairs, and								
Equipment Rental	97,801	14,401	358	112,560	84,848	17,077	89	102,014
Supplies	45,113	21,186	5,144	71,443	61,665	19,481	2,454	83,600
Travel	41,869	6,940	389	49,198	33,608	3,156	1,346	38,110
Telephone	31,470	10,753	2,200	44,423	38,345	11,756	4,141	54,242
Agency Training and Meetings	76,308	8,953	22	85,283	51,578	1,738	-0-	53,316
Depreciation	46,508	-0-	-0-	46,508	47,294	-0-	-0-	47,294
Printing, Publications, and								
Subscriptions	10,592	1,595	-0-	12,187	3,585	784	63	4,432
Special Events	6,331	-0-	40,878	47,209	3,677	6,860	30,766	41,303
Postage and Shipping	3,259	3,856	4,545	11,660	4,477	2,923	2,822	10,222
Dues	3,089	2,924	550	6,563	3,460	6,713	914	11,087
Miscellaneous	1,111	2,617	5,198	8,926	6,773	10,192	6,312	23,277
Ecumenical Support	-0-	10,000	-0-	10,000	-0-	5,000	-0-	5,000
Total Functional Expenses	\$ 3,277,425	\$ 826,120	\$ 423,618	\$ 4,527,163	\$ 3,006,058	\$ 743,141	\$ 345,712	\$ 4,094,911

"The Accompanying Notes are an Integral
Part of These Financial Statements"

CATHOLIC CHARITIES DIOCESE OF TOLEDO, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Catholic Charities Diocese of Toledo, Inc. (the "Agency") was formed in 1914, originally to care for dependent and neglected children, to provide adoption services and to provide service to those with emotional and behavioral problems. Since that time the Agency has grown in size and scope and now offers a variety of services throughout Northwest Ohio. The Agency is primarily funded by and dependent on contributions, legacies and bequests, the support of the Diocese of Toledo, and grants and contracts from private foundations and various governmental entities. The Agency also receives support through various United Way agencies and receives fees for services provided.

The Agency serves 19 counties in Northwest Ohio. All significant inter-agency balances and transactions have been eliminated.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. Non-cash donations are recorded at fair value when received. An amount has not been assigned to donated services, as these services provided generally do not require specialized skills; however, volunteers have donated significant amounts of time to Agency-sponsored programs.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 each reporting period. Actual results could differ from those estimates.

Investments

Investments in common collective trusts are valued at market price on the last day of the Agency's year-end. Certificate of deposits are valued at cost, which approximates market.

Cash and Cash Equivalents

The Agency considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

CATHOLIC CHARITIES DIOCESE OF TOLEDO, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
Years Ended June 30, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Depository Credit Risk

The Agency has \$895,742 and \$674,461 at June 30, 2018 and 2017, respectively, on deposit with the Catholic Diocese of Toledo and is included in cash balances in the statement of financial position. Such amounts represent an obligation of the Diocese and are not maintained in bank accounts in the name of the Agency.

The Agency maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed Federal Deposit Insurance Corporation limits. Such excess uninsured amounts, which aggregated approximately \$54,600 and \$-0- at June 30, 2018 and 2017, respectively, are uncollateralized and in the event of bank failure may not be returned.

Receivables

The Agency extends credit to clients for certain services it provides. Bad debts are provided for using the allowance method based on historical experience and management's evaluation of the collectability of outstanding receivables at the end of the year. Bad debt allowance is \$-0- for the years ended June 30, 2018 and 2017. The Agency does not accrue interest on past due amounts. The Agency considers receivable balances outstanding for a period greater than 30 days past due.

Property and Equipment

Property and equipment are recorded at cost. Donated property and equipment are recorded at the estimated fair market value at the time of donation. The Agency uses a capitalization policy of \$1,500 and greater. Costs that materially add to the productive capacity or extend the life of an asset are capitalized while maintenance and repair costs are expensed as incurred. The Agency provides for depreciation and amortization using the straight-line method over the estimated useful lives of the depreciable assets.

Deferred Revenue and Grants and Contracts Receivable

Deferred revenue is recorded when grant or contribution proceeds are received but not yet expended. A receivable is recorded if the monies were expended but the related grant proceeds have not yet been received at the end of the year.

In-Kind Contributions

The Agency receives donated food for various shelters throughout the year. The in-kind donations have been recorded as revenue in contributions and a corresponding expense in specific assistance to individuals. Total in-kind contributions for donated food were \$422,518 and \$355,912 for the years ended June 30, 2018 and 2017, respectively.

CATHOLIC CHARITIES DIOCESE OF TOLEDO, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
Years Ended June 30, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

In-Kind Contributions, Continued

Revenue and expenses have been recorded in the accompanying financial statements for the excess of the estimated fair value rental over amounts presently paid by the Agency for use of facilities (Note 2) and for services provided by employees of the Diocese of Toledo (Note 9).

Functional Allocation of Expenses

The costs of providing the program services and activities have been summarized on a functional basis in the statement of activities. Certain costs not directly attributable to specific program services or functions have been allocated to program services, management and general, and fundraising services. Management considers this method of allocation to be equitable.

Income Taxes

The Agency, a not-for-profit corporation as described in Sections 501(c)(3) of the Internal Revenue Code (the "Code") is classified as a church by the Internal Revenue Service, and, therefore, is not subject to federal income tax and has been classified as an Agency that is not a private foundation under Section 509 of the code.

Net Assets

Net assets are classified as unrestricted, temporarily restricted or permanently restricted depending on the existence and/or nature of any donor-imposed restrictions.

Unrestricted net assets are not restricted by funding source or grantor, or the funding source requirements or donor-imposed restrictions have expired.

At June 30, 2018 and 2017, the Agency's Board of Directors designated unrestricted net assets of \$229,807 for special purposes as determined by the Board. Such designated amounts may be undesignated at any time at the direction of the Board.

Temporarily restricted net assets contain funding source or donor-imposed restrictions that permit spending as specified. The restrictions are satisfied either by the passage of time or the actions of the Agency.

The temporarily restricted net assets at June 30, are restricted as follows:

	<u>2018</u>	<u>2017</u>
Foos Estate - Passage of Time	\$148,573	\$169,798
Various Other Programs	<u>547,500</u>	<u>497,158</u>
Total	<u>\$696,073</u>	<u>\$666,956</u>

CATHOLIC CHARITIES DIOCESE OF TOLEDO, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
Years Ended June 30, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Net Assets, Continued

Permanently restricted net assets contain funding source or donor-imposed restrictions that stipulate that resources be maintained permanently for a specified purpose. The Agency believes it has no permanently restricted net assets.

Recent Accounting Pronouncements

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements*, which improves presentation of financial information and makes financial statements more informative, transparent and useful to donors, grantors, creditors, and other users of a Not-for-Profit Organizations' financial statements. The key provisions of the ASU include net asset classes, investment return, expenses, liquidity and availability of resources, and statement of cash flows. The standard replaces the three net asset classifications with two net asset classifications, those with donor restrictions and those without donor restrictions, and enhances the disclosures about the nature and amount of donor restrictions. The ASU also requires an organization to present expenses by nature and function and include an analysis of expenses showing the relationship between natural and functional classification. Further, the ASU requires organizations to provide information about the liquidity and availability of its financial resources. The ASU is effective for financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018, with early adoption permitted. The Agency is currently evaluating the impact the new standard may have on its financial statements.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which establishes a single comprehensive revenue recognition standard for all entities and industries. The core principle of ASU 2014-09 is that an entity should recognize revenue for the transfer of goods or services in an amount the entity expects to be entitled to receive for those goods or services. The FASB has also issued several updates to this standard.

The new standard is effective for nonpublic entities for fiscal years beginning after December 15, 2018 and for interim periods therein. Early adoption is permitted for nonpublic entities beginning after December 15, 2017. This ASU may be applied using a full retrospective approach (with certain practical expedients available) or a cumulative effect approach. The Agency is currently evaluating the impact the new standard may have on its financial statements.

CATHOLIC CHARITIES DIOCESE OF TOLEDO, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
Years Ended June 30, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Recent Accounting Pronouncements, Continued

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which amends existing accounting standards for lease accounting, including requiring lessees to recognize most leases on the balance sheet and making certain changes to lessor accounting. The new standard is effective for nonpublic entities for fiscal years beginning after December 15, 2019 and for interim periods therein, with early adoption permitted. This ASU requires a modified retrospective transition approach (with certain practical expedients available). The Agency is currently evaluating the impact the new standard may have on its financial statements.

Subsequent Events

Management has evaluated events and transactions from June 30, 2018 through November 27, 2018 for possible recognition or disclosure in these financial statements. This date is the date these financial statements were available to be issued. Management has concluded that there are no subsequent events that require recognition or disclosure.

NOTE 2 - LEASE COMMITMENTS

The Agency leases office space from the Diocese of Toledo, an affiliate, and various unrelated parties under operating lease agreements. The Agency also leases certain equipment under non-cancelable operating leases expiring on various dates through fiscal year 2023.

The Agency leases its Norwalk office facilities under a year-to-year lease at no cost to the Agency. Total in-kind rent amounted to approximately \$32,100 and \$29,500 for the years ended June 30, 2018 and 2017, respectively. All expenses of operating and maintaining these facilities are paid by the Agency. In fiscal year 2017, the Agency received a contribution of \$55,000 from a foundation for renovations. Failure to occupy the premises until July 2027 will result in the contribution being paid back on a pro rata basis.

Total rent expense amounted to approximately \$168,300 and \$155,000 (including in-kind rent) for the years ended June 30, 2018 and 2017, respectively, of which approximately \$74,400 and \$70,900, respectively, relates to the lease with the Diocese of Toledo.

CATHOLIC CHARITIES DIOCESE OF TOLEDO, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
Years Ended June 30, 2018 and 2017

NOTE 2 - LEASE COMMITMENTS, Continued

Future minimum rental commitments under noncancelable operating lease agreements, as of June 30, 2018, are as follows:

Year Ending	
<u>June 30</u>	<u>Amount</u>
2019	\$135,000
2020	68,100
2021	23,800
2022	3,100
2023	<u>1,300</u>
TOTAL	<u>\$231,300</u>

The Agency entered into a sublease during 2015, which expired in December 2016. The Agency entered into a new sublease during 2017, which expires September 2018. The Agency also subleases space under a month-to-month lease. The total rental income amounted to approximately \$23,400 and \$22,300 for the years ended June 30, 2018 and 2017, respectively.

NOTE 3 - RETIREMENT PLANS

In prior years the Agency and other nonprofit agencies in the Greater Toledo area participated in a multiple-employer defined-benefit retirement plan and multiple-employer savings plan administered by the United Way of Greater Toledo. Employees were able to contribute to the savings plan via salary deferral arrangements with the Agency. In addition, the Agency contributed 3% of eligible compensation to the savings plan for all participants. During 2015, the United Way terminated the United Way Savings Plan. The Agency adopted a new single employer plan effective April 1, 2015. Plan assets of the United Way Savings Plan were transferred to the new Plan.

The United Way of Greater Toledo terminated its multiple-employer savings plan and the Agency adopted a new single employer 403(b) Thrift plan effective April 1, 2015. Plan assets of the United Way Savings Plan were transferred to the new plan. Eligible employees may defer a portion of their salary to the Plan. Catholic Charities Diocese of Toledo, Inc. makes matching contributions equal to 100% of the employee's elective deferrals that do not exceed 1% of compensation. Catholic Charities Diocese of Toledo, Inc. also makes a base employer contribution of 2% of qualified compensation to all eligible participants.

In September 2003, the defined benefit retirement plan was amended to provide that benefit accrual service ceased to accrue for any participant as of December 31, 2003, and that final average earnings will not include any compensation earned by any participant after that date. The frozen plan and corresponding trust will remain in existence as long as necessary to pay accumulated plan benefits.

CATHOLIC CHARITIES DIOCESE OF TOLEDO, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
Years Ended June 30, 2018 and 2017

NOTE 3 - RETIREMENT PLANS, Continued

The defined benefit retirement plan is an Eligible Charity Plan (ECP) and is not subject to the minimum funding standards contained in the Pension Protection Act of 2006 (PPA) until the earlier of (a) the first plan year beginning after January 1, 2017, or (b) the first plan year for which the Plan ceases to be an ECP. At January 1, 2018 and 2017, the value of the defined benefit plan's assets were less than the defined benefit plan's liabilities. The liability represents the present value of the accumulated plan benefits computed using certain interest rate assumptions that are prescribed by the PPA. The funding is determined by the actuary and is allocated based on employee liability among United Way and the participating agencies. Contributions were required to be made to the plan for 2018 and 2017 in amounts necessary to meet or exceed the minimum funding requirement. Based on these provisions, the Agency was required to make a pension contribution of \$74,000 and \$75,000 for the years ended June 30, 2018 and 2017, respectively. Contributions payable were \$37,006 and \$37,357 as of June 30, 2018 and 2017, respectively.

The Agency's expense under the plans for the years ended June 30, 2018 and 2017 amounted to approximately \$115,000 and \$103,600, respectively.

NOTE 4 - UNEMPLOYMENT COMPENSATION

The Agency has elected to be self-insured under the Ohio Unemployment Compensation Act. Unemployment compensation claims of approximately \$700 and \$26,000 were paid during the years ended June 30, 2018 and 2017, respectively, and management is not aware of any material unemployment compensation claims or liabilities at year end.

NOTE 5 - INVESTMENTS

The investments at June 30 are summarized as follows:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Certificates of Deposit	\$ 19,150	\$ 19,150	\$ 33,282	\$ 33,282
Common Collective Trusts	<u>744,796</u>	<u>872,315</u>	<u>726,480</u>	<u>872,395</u>
TOTAL	<u>\$763,946</u>	<u>\$891,465</u>	<u>\$759,762</u>	<u>\$905,677</u>

CATHOLIC CHARITIES DIOCESE OF TOLEDO, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
Years Ended June 30, 2018 and 2017

NOTE 5 - INVESTMENTS, Continued

Investment income consisted of the following for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Net Realized and Unrealized Gains on Investments	\$ 8,159	\$ 86,841
Interest and Dividends	<u>59,521</u>	<u>22,709</u>
NET	<u>\$67,680</u>	<u>\$109,550</u>

NOTE 6- FAIR VALUE MEASUREMENTS

The financial statements follow the provisions of ASC 820-10, *Fair Value Measurements*, which defines and establishes a single authoritative definition of fair value, sets a framework for measuring fair value and requires additional disclosures about fair value measurement.

In accordance with ASC 820-10, the Agency classifies its investments into Level 1, which refers to securities traded in an active market, Level 2, which refers to securities not traded on an active market but for which observable market inputs are readily available or Level 1 securities where there is a contractual restriction, and Level 3, which refers to securities not traded in an active market for which no significant observable market inputs are available. All investments are classified as Level 2 based on market values of the underlying investments. Transfers between levels 1, 2 and 3 of the fair value hierarchy are recognized at the date the transfer is made. There were no transfers between levels in 2018 or 2017.

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis by level within the hierarchy.

Fair Value Measurements at June 30, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Collective Trusts	\$ -0-	\$872,315	\$ -0-	\$872,315
Certificates of Deposit	<u>-0-</u>	<u>19,150</u>	<u>-0-</u>	<u>19,150</u>
Total Investments at Fair Value	<u>\$ -0-</u>	<u>\$891,465</u>	<u>\$ -0-</u>	<u>\$891,465</u>

Fair Value Measurements at June 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Collective Trusts	\$ -0-	\$872,395	\$ -0-	\$872,395
Certificates of Deposit	<u>-0-</u>	<u>33,282</u>	<u>-0-</u>	<u>33,282</u>
Total Investments at Fair Value	<u>\$ -0-</u>	<u>\$905,677</u>	<u>\$ -0-</u>	<u>\$905,677</u>

CATHOLIC CHARITIES DIOCESE OF TOLEDO, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
Years Ended June 30, 2018 and 2017

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	<u>2018</u>	<u>2017</u>
Land and Improvements	\$ 23,996	\$ 23,996
Building and Improvements	604,220	593,588
Furniture and Fixtures	48,100	46,316
Equipment	79,427	70,116
Construction in Process	-0-	7,159
Vehicles	<u>11,123</u>	<u>11,123</u>
Total Property and Equipment	766,866	752,298
Less Accumulated Depreciation	(507,453)	(464,145)
Net Property and Equipment	<u>\$259,413</u>	<u>\$288,153</u>

The Agency received grant funds of \$29,740 to repair certain facilities utilized as homeless shelters. Failure to utilize these facilities for their current purpose until July 1, 2025 will result in the grant funds being refunded to the grantor.

NOTE 8 - CONTINGENCY

The Agency receives substantial financial assistance from federal and state agencies and other organizations in the form of grants and contracts. These amounts are generally awarded on an annual basis, and there is no assurance as to their continuance or future amounts to be awarded. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and contracts and are subject to audit by the grantor agencies. Any disallowed amounts resulting from such audits may become a liability of the Agency. However, in the opinion of management, disallowed amounts, if any, will not have a material adverse effect on the overall financial position of the Agency at June 30, 2018 and 2017.

NOTE 9 - RELATED PARTY TRANSACTIONS

The Agency leases an office location on a month-to-month basis from the Diocese of Toledo. Total rent paid under the agreement was approximately \$74,400 and \$71,000 for the years ended June 30, 2018 and 2017, respectively.

The Agency utilizes two properties owned by the Diocese of Toledo to operate their homeless shelters. Management believes the value of the use of these facilities is not material and no in-kind rent has been recognized in the accompanying statements of activities.

CATHOLIC CHARITIES DIOCESE OF TOLEDO, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
Years Ended June 30, 2018 and 2017

NOTE 9 - RELATED PARTY TRANSACTIONS, Continued

The Agency received support from the Diocese in the form of cash and employee services totaling \$844,292 and \$942,418, for the years ended June 30, 2018 and 2017, respectively. In addition, the Agency occasionally utilizes the services of the Diocese's General Counsel.

The Agency reimbursed the Diocese of Toledo for healthcare and other expenses totaling \$500,811 and \$663,761 for the years ended June 30, 2018 and 2017, respectively.

The Agency has funds on deposit with the Diocese. The balance on deposit as of June 30, 2018 and 2017 is \$895,742 and \$674,461, respectively.

The Agency has investments held with the Diocese. The balance of the investments as of June 30, 2018 and 2017 is \$872,315 and \$872,395, respectively.

The Agency has accounts receivable from the Diocese of Toledo of \$14,379 and \$21,949 as of June 30, 2018 and 2017, respectively.

The Agency has accounts payable to the Diocese of Toledo of approximately \$101,026 and \$900 as of June 30, 2018 and 2017, respectively.