

# **CATHOLIC CHARITIES OF SOUTH CAROLINA**

## **FINANCIAL STATEMENTS**

*As of and for the Years Ended June 30, 2020 and 2019*

*And Report of Independent Auditor*

**CATHOLIC CHARITIES OF SOUTH CAROLINA**  
**TABLE OF CONTENTS**

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**REPORT OF INDEPENDENT AUDITOR** ..... 1

**FINANCIAL STATEMENTS**

Statements of Financial Position ..... 2  
Statements of Activities and Changes in Net Assets ..... 3-4  
Statements of Cash Flows ..... 5  
Notes to the Financial Statements ..... 6-17

## Report of Independent Auditor

To the Board of Directors  
Catholic Charities of South Carolina  
Charleston, South Carolina

We have audited the accompanying financial statements of Catholic Charities of South Carolina (a South Carolina corporation), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets 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 of South Carolina as of June 30, 2020 and 2019, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Cherry Bekaert LLP*

Greenville, South Carolina  
October 29, 2020

**CATHOLIC CHARITIES OF SOUTH CAROLINA**  
**STATEMENTS OF FINANCIAL POSITION**

*JUNE 30, 2020 AND 2019*

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,289,665	\$ 1,366,490
Funds held in trust by affiliate:		
Pooled investments	1,633,084	1,711,330
Accounts receivable, net	37,684	12,674
Prepaid expenses	18,177	30,381
Property and equipment, net	<u>713,293</u>	<u>571,870</u>
<b>Total Assets</b>	<u><u>\$ 3,691,903</u></u>	<u><u>\$ 3,692,745</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable	\$ 22,283	\$ 36,622
Accrued wages and benefits	132,005	125,247
Due to other Diocesan entities	<u>657,942</u>	<u>502,453</u>
Total Liabilities	<u>812,230</u>	<u>664,322</u>
Net Assets:		
Without Donor Restrictions:		
Undesignated	(417,461)	(359,519)
Invested in property and equipment	<u>713,293</u>	<u>571,870</u>
	295,832	212,351
With Donor Restrictions	<u>2,583,841</u>	<u>2,816,072</u>
Total Net Assets	<u>2,879,673</u>	<u>3,028,423</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 3,691,903</u></u>	<u><u>\$ 3,692,745</u></u>

**CATHOLIC CHARITIES OF SOUTH CAROLINA**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

YEAR ENDED JUNE 30, 2020

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Support and Revenue:			
Bishop's stewardship appeal	\$ 1,010,000	\$ -	\$ 1,010,000
Contributions	595,482	957,895	1,553,377
Donated facilities and property	366,902	-	366,902
Program service fees	300,840	-	300,840
Elder home residential income	617,105	-	617,105
Investment return, net	(36)	(6,924)	(6,960)
	<u>2,890,293</u>	<u>950,971</u>	<u>3,841,264</u>
Net assets released from restrictions	<u>1,183,202</u>	<u>(1,183,202)</u>	<u>-</u>
Total Support and Revenue	<u>4,073,495</u>	<u>(232,231)</u>	<u>3,841,264</u>
Expenses:			
Program services	3,463,187	-	3,463,187
General and administrative	526,827	-	526,827
Total Expenses	<u>3,990,014</u>	<u>-</u>	<u>3,990,014</u>
Change in net assets	83,481	(232,231)	(148,750)
Net assets, beginning of year	<u>212,351</u>	<u>2,816,072</u>	<u>3,028,423</u>
Net assets, end of year	<u>\$ 295,832</u>	<u>\$ 2,583,841</u>	<u>\$ 2,879,673</u>

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

**CATHOLIC CHARITIES OF SOUTH CAROLINA**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

*YEAR ENDED JUNE 30, 2019*

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Support and Revenue:			
Bishop's stewardship appeal	\$ 1,010,000	\$ -	\$ 1,010,000
Contributions	484,806	1,946,790	2,431,596
Donated facilities	369,673	-	369,673
Program service fees	392,605	-	392,605
Elder home residential income	671,790	-	671,790
Investment return, net	7,958	76,819	84,777
	<u>2,936,832</u>	<u>2,023,609</u>	<u>4,960,441</u>
Net assets released from restrictions	<u>1,680,724</u>	<u>(1,680,724)</u>	<u>-</u>
Total Support and Revenue	<u>4,617,556</u>	<u>342,885</u>	<u>4,960,441</u>
Expenses:			
Program services	4,125,141	-	4,125,141
General and administrative	378,924	-	378,924
Total Expenses	<u>4,504,065</u>	<u>-</u>	<u>4,504,065</u>
Change in net assets	113,491	342,885	456,376
Net assets, beginning of year	<u>98,860</u>	<u>2,473,187</u>	<u>2,572,047</u>
Net assets, end of year	<u>\$ 212,351</u>	<u>\$ 2,816,072</u>	<u>\$ 3,028,423</u>

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

**CATHOLIC CHARITIES OF SOUTH CAROLINA**  
**STATEMENTS OF CASH FLOWS**

YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (148,750)	\$ 456,376
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation expense	42,879	39,366
Loss on disposal of property and equipment	750	-
Net realized gains from investments	(61,669)	(39,301)
Net unrealized losses (gains) from investments	68,632	(45,469)
Changes in assets and liabilities:		
Accounts receivable	(25,010)	(9,720)
Prepaid expenses	12,204	(4,252)
Due from Diocesan entities	155,489	207,214
Accounts payable	(14,339)	(5,101)
Accrued expenses	6,758	(17,000)
Net cash flows from operating activities	<u>36,944</u>	<u>582,113</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sales of investments	1,892,500	1,967,875
Purchases of investments	(1,821,217)	(1,150,111)
Purchases of property and equipment	(185,052)	(118,304)
Net cash flows from investing activities	<u>(113,769)</u>	<u>699,460</u>
Change in cash and cash equivalents	(76,825)	1,281,573
Cash and cash equivalents, beginning of year	<u>1,366,490</u>	<u>84,917</u>
Cash and cash equivalents, end of year	<u>\$ 1,289,665</u>	<u>\$ 1,366,490</u>

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

# CATHOLIC CHARITIES OF SOUTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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### Note 1—Nature of organization

Catholic Charities of the Diocese of Charleston, Inc. was incorporated in 1945 to coordinate social services and charitable work. In September 2017, the organization's name was changed to Catholic Charities of South Carolina ("Catholic Charities"). Catholic Charities is a not-for-profit corporation operating in the state of South Carolina with offices in Charleston, North Charleston, Beaufort, Columbia, Greenville, and Conway. It is primarily supported by (a) Bishop's stewardship appeal funds and other subsidies provided by the Chancery of the Roman Catholic Diocese of Charleston ("Chancery"), a related organization; (b) contributions for Catholic Charities collected by the parishes in the Roman Catholic Diocese of Charleston ("Diocese of Charleston"), which are related organizations; (c) contributions from individuals and unrelated organizations; and (d) program fees.

Commanded by the Holy Gospel mandates to love, to serve, and to teach, Catholic Charities provides care and services to improve the lives of South Carolinians in need. A member of Catholic Charities USA, Catholic Charities works directly and in collaboration with parish communities and other organizations to serve the needy in South Carolina. Catholic Charities is committed to social ministry as an essential element of our faith.

The programs provided by Catholic Charities are as follows:

*Campaign for Human Development* – Provides funding for self-help community organizations and advocates for social justice.

*Direct Services* – Education, consultation, advocacy, and emergency services not incorporated under one of the Catholic Charities other programs.

*General Assistance* – Financial and health care assistance provided to the needy.

Ministry Work:

*Save a Smile Program* – Catholic Charities provides subsidies to low-income individuals in order to improve their health, self-esteem, and employment opportunities.

*Food Programs* – Catholic Charities provides other support directed toward nourishment programs.

*Senior Assistance* – Provides assistance to seniors in need.

*Clean of Heart* – Provides laundry and shower facilities for the homeless in downtown Columbia, Myrtle Beach, and the Piedmont region.

*Sister Hope Mental Health Ministry* – provides emotional support and mental health psychological education through a technological platform offered statewide.

*Disaster Relief* – Financial and material assistance to persons affected by natural disasters.

*Carter May Home/St. Joseph Residence* – Community residential care for older adults.

*Immigration Services* – Provides low-cost immigration counseling services for those who cannot afford a private lawyer.



# CATHOLIC CHARITIES OF SOUTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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### **Note 2—Summary of significant accounting policies**

*Basis of Accounting* – The financial statements of Catholic Charities have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

*Basis of Presentation* – Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board may designate from net assets without donor restrictions, net assets for an operating reserve, and invested in property and equipment.

*Net Assets With Donor Restrictions* – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

*Investments* – Catholic Charities carries investments in marketable equity securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities and changes in net assets.

*Unconditional Promises to Give* – Unconditional promises to give are recognized as an asset, promises to give, and as revenue in the year received. Catholic Charities does not have any promises to give as of June 30, 2020 and 2019.

*Accounts Receivable* – Receivables are stated at amounts Catholic Charities expects to collect (unpaid balances less estimated allowances for doubtful accounts) based on management's assessment of the financial stability of the respective debtors. Receivables determined by Catholic Charities not to be collectible are charged off against the respective allowances.

*Property and Equipment* – Purchases of property and equipment having a unit cost of \$5,000 or more and a useful life of more than one year are capitalized at cost. Donated property and equipment are capitalized at their estimated fair value at the date of donation. Expenditures for maintenance and repairs are expensed as incurred. Depreciation is computed using the straight-line method of depreciation based on the estimated useful lives of the assets ranging from 3 to 40 years.

*Revenue and Support* – Contributions are considered to be without donor restriction unless specifically restricted by the donors. Contributions that are restricted by the donors are reported as increases in net assets with donor restriction. When a restriction expires (that is, when the stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statements of activities and changes in net assets as net assets released from restrictions.

# CATHOLIC CHARITIES OF SOUTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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### **Note 2—Summary of significant accounting policies (continued)**

*Revenue and Support* – Certain contributions are collected by the parishes in the Diocese of Charleston from their parishioners and remitted to the Chancery. The Chancery holds such contributions as custodian, until substantially all parishes have remitted such collections to it, and then remits the total collections to Catholic Charities. These contributions are recognized as support when received by Catholic Charities. Funding allocations from the Bishop’s stewardship appeal and other subsidies from the Chancery are recognized as support when received, which does not materially differ from the accrual basis of accounting.

Bequests are recognized at the fair value of Catholic Charities’ interest in the estate when the probate court declares a will valid.

Program service fees for family counseling, immigration services, and services to the elderly are recognized at the time the related services are rendered. Services to the elderly consist principally of the rental of units in the Carter May Home/St. Joseph Residence, a retirement home.

*Income Taxes* – Catholic Charities is exempt from federal and state income taxes under certain provisions of Section 501(c)(3) of the Internal Revenue Code and the South Carolina Code of laws. The Financial Accounting Standards Board (“FASB”) provides guidance on Catholic Charities’ evaluation of accounting for uncertainty in income taxes. Management evaluated Catholic Charities’ tax position and concluded that no uncertain tax positions exist that require adjustment to the financial statements to comply with the provisions of this guidance.

Catholic Charities’ policy is to record a liability for any tax position taken that is beneficial to Catholic Charities, including any related interest and penalties, when it is more likely than not the position taken by management with respect to a transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes there are no such positions as of June 30, 2020 and, accordingly, no liability has been accrued. Management believes that Catholic Charities continues to satisfy the requirements of a tax-exempt organization and, therefore, had no uncertain income tax positions at June 30, 2020 and 2019.

*Donated Services and Facilities* – A number of full and part-time volunteers have made contributions of their time to maintain Catholic Charities’ programs. However, the value of this contributed time is not reflected in the accompanying financial statements since such contributed services do not (a) create or enhance non-financial assets; or (b) require specialized skills, that are provided by persons possessing those skills, and which would be purchased if not donated. Certain facilities have been provided to Catholic Charities free or below market rent. The rental value for this donated office and building space has been estimated and recognized in the accompanying financial statements based upon an estimated rental rate of equivalent properties in the current market.

*Statements of Cash Flows* – For purposes of the statements of cash flows, Catholic Charities considers all highly liquid temporary cash investments with an original maturity of three months or less to be cash equivalents, except for the cash investments in the funds managed by investment companies.

*Estimates* – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

# CATHOLIC CHARITIES OF SOUTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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### **Note 2—Summary of significant accounting policies (continued)**

*Recently Issued Accounting Pronouncements Adopted* – In June 2018, FASB issued Accounting Standards Update (“ASU”) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard provides guidance on determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The adoption of this standard allows for contributions to follow guidance in FASB *Accounting Standards Codification* 958-605, *Not-for-Profit Entities (Topic 958) – Revenue Recognition*, rather than the guidance provided in ASU 2014-09 (Topic 606) discussed below. Catholic Charities retrospectively adopted the provisions of this standard during the year ended June 30, 2020. There was no material impact on Catholic Charities’ financial position and results of operations upon adoption of the new standard.

*Recently Issued Accounting Pronouncements Not Yet Adopted* – On May 28, 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principle is that an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard will be effective for Catholic Charities’ year ending June 30, 2021. Management is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

In February 2016, FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statements of activities. This standard will be effective for Catholic Charities’ year ending June 30, 2023. Management is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

**CATHOLIC CHARITIES OF SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2020 AND 2019*

**Note 3—Functional expenses**

The costs of providing the various programs have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis, which generally include space occupied on a square footage basis and/or time incurred for employees.

Expenses by function and nature consist of the following for the year ended June 30:

	<b>2020</b>							
	<b>Personnel Expense</b>	<b>Occupancy Expense</b>	<b>Office/ Program Expense</b>	<b>Professional and Contracted Services</b>	<b>Travel and Professional Development</b>	<b>Grants and Other Assistance</b>	<b>Other</b>	<b>Total</b>
<b>Program Services:</b>								
Counseling services	\$ 107,099	\$ 518	\$ 367	\$ -	\$ 6,788	\$ 49,144	\$ -	\$ 163,916
Direct services	545,043	252,278	20,387	50,117	9,425	208,630	-	1,085,880
Disaster relief	141,780	3,460	-	8,413	7,571	502,358	-	663,582
Carter May home	684,736	253,733	86,345	4,136	8,881	-	2,837	1,040,668
Immigration services	370,720	110,159	5,966	16,496	5,800	-	-	509,141
Total Program Expenses	1,849,378	620,148	113,065	79,162	38,465	760,132	2,837	3,463,187
<b>Administrative:</b>								
Management and general	153,471	112,648	61,247	164,905	15,359	-	19,197	526,827
	<u>\$ 2,002,849</u>	<u>\$ 732,796</u>	<u>\$ 174,312</u>	<u>\$ 244,067</u>	<u>\$ 53,824</u>	<u>\$ 760,132</u>	<u>\$ 22,034</u>	<u>\$ 3,990,014</u>

**CATHOLIC CHARITIES OF SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2020 AND 2019*

**Note 3—Functional expenses (continued)**

Expenses by function and nature consist of the following for the year ended June 30:

	<b>2019</b>							
	<b>Personnel Expense</b>	<b>Occupancy Expense</b>	<b>Office/ Program Expense</b>	<b>Professional and Contracted Services</b>	<b>Travel and Professional Development</b>	<b>Grants and Other Assistance</b>	<b>Other</b>	<b>Total</b>
<b>Program Services:</b>								
Counseling services	\$ 85,846	\$ 437	\$ 27,182	\$ -	\$ 2,092	\$ 54,989	\$ -	\$ 170,546
Direct services	633,653	289,347	62,509	59,554	20,356	245,597	24,500	1,335,516
Disaster relief	236,412	17,245	8,369	2,418	29,589	635,197	5,921	935,151
Carter May home	680,294	299,463	82,888	1,696	11,528	-	4,152	1,080,021
Immigration services	464,839	103,210	8,921	11,508	13,580	-	1,849	603,907
Total Program Expenses	2,101,044	709,702	189,869	75,176	77,145	935,783	36,422	4,125,141
<b>Administrative:</b>								
Management and general	166,632	100,514	36,374	61,135	11,355	-	2,914	378,924
	<u>\$ 2,267,676</u>	<u>\$ 810,216</u>	<u>\$ 226,243</u>	<u>\$ 136,311</u>	<u>\$ 88,500</u>	<u>\$ 935,783</u>	<u>\$ 39,336</u>	<u>\$ 4,504,065</u>

**CATHOLIC CHARITIES OF SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2020 AND 2019*

**Note 4—Cash, liquidity, and availability**

Catholic Charities places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts. Catholic Charities from time to time may have amounts on deposit in excess of the insured limits. As of June 30, 2020, Catholic Charities had \$1,062,080 which exceeded these insured amounts.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Catholic Charities considers all expenditures related to program and supporting services to be general expenditures. Financial assets available within one year as of June 30, without donor or other restrictions limiting their use, comprise the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,289,665	\$ 1,366,490
Savings	-	7,951
Endowment investments available for general purposes and for distribution in accordance with the spending rate policy	71,702	95,044
Accounts receivable, due within one year	<u>37,684</u>	<u>12,674</u>
	1,399,051	1,482,159
Less amounts unavailable for general expenditures:		
Required to satisfy donor restrictions	<u>(982,431)</u>	<u>(1,112,693)</u>
Financial assets available to meet general expenditures in the next year	<u>\$ 416,620</u>	<u>\$ 369,466</u>

Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use.

Catholic Charities manages its liquidity by developing and adopting annual operating and capital budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they come due. Actual performance is reported and monitored monthly in comparison to the budgets. Adjustments are made to plan as needed to ensure adequate liquidity. As part of our liquidity management plan, cash balances are invested in short-term investments.

The Chancery has committed to providing financial support and resources to Catholic Charities on an as-needed basis over the next 12 months. The Chancery's historical support of Catholic Charities is critical to serving the mission of the Diocese in South Carolina and actual funding requirements will vary from year to year.

**Note 5—Funds held in trust by affiliate**

Catholic Charities' investments are held in trust by an affiliated organization, the Catholic Community Foundation of South Carolina (the "Foundation"). The Foundation holds and invests funds belonging to Catholic Charities in a custodial capacity.

**CATHOLIC CHARITIES OF SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2020 AND 2019

**Note 5—Funds held in trust by affiliate (continued)**

In accordance with ASC 958, Section 320, *Not-for-Profit Entities, Investments – Debt and Equity Securities*, Catholic Charities' investments are stated at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820, *Fair Value Measurements and Disclosures*, also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The standard describes three levels of inputs that may be used to measure fair value:

*Level 1* – Quoted prices in active markets for identical assets or liabilities.

*Level 2* – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

*Level 3* – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

All of Catholic Charities' investments are valued at fair value under Level 1 inputs and consist of the following at June 30:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Cash investments with investment companies	\$ 61,113	\$ 61,113	\$ 28,028	\$ 28,028
Corporate and government debt securities	491,529	495,849	481,875	487,323
Equity securities	941,984	1,076,122	997,745	1,195,979
	<u>\$ 1,494,626</u>	<u>\$ 1,633,084</u>	<u>\$ 1,507,648</u>	<u>\$ 1,711,330</u>

**Note 6—Property and equipment**

Property and equipment consist of the following at June 30:

	2020	2019
Office buildings	\$ 608,647	\$ 608,647
Furniture, vehicles, and equipment	349,799	283,375
Construction in progress	147,143	29,265
	<u>1,105,589</u>	<u>921,287</u>
Less accumulated depreciation	<u>(392,296)</u>	<u>(349,417)</u>
	<u>\$ 713,293</u>	<u>\$ 571,870</u>

Depreciation expense for the years ended June 30, 2020 and 2019 was \$42,879 and \$39,366, respectively.

# CATHOLIC CHARITIES OF SOUTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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### **Note 6—Property and equipment (continued)**

An office building was constructed in Greenville, South Carolina on land leased from a local parish of the Diocese of Charleston. Construction of the building was completed in 2004. Catholic Charities has entered into a lease agreement for 99 years with the Diocese of Charleston on behalf of a local parish to lease this land at an annual rental expense of \$100 (see Note 7). Catholic Charities occupies approximately 52% of the building and leases 48% of the building to the parish.

### **Note 7—Related party and other leasing transactions**

Catholic Charities leases the land its Greenville office is located on from a local parish of the Diocese of Charleston for an annual rent of \$100. The low country office of Catholic Charities are leased from a Diocesan parish for no rent. The annual rent value of such donated facilities was estimated to be \$53,000 for the years ended June 30, 2020 and 2019, respectively, and is identified as donated facilities and property revenue in the accompanying statements of activities and changes in net assets.

Catholic Charities occupied the Carter May Home/St. Joseph Residence and certain office space owned by the Diocese of Charleston. No rental payments were charged for the use of the Carter May Home/St. Joseph Residence and Catholic Charities Central office space from the Diocese of Charleston. The annual rental value of these donated facilities was estimated at \$262,539 and \$257,673 for the years ended June 30, 2020 and 2019, respectively, and is identified as the donated facilities and property revenue in the accompanying statements of activities and changes in net assets.

Catholic Charities is provided administrative, professional, and other support from the Chancery and the Catholic Community Foundation of South Carolina which are not reflected in these financial statements. The Chancery also provides direct financial support through the Bishop's stewardship appeal of \$1,010,000 for the years ended June 30, 2020 and 2019, which is included as bishop's stewardship appeal support in the statements of activities and changes in net assets.

Catholic Charities occupied and operated the Hardeeville Thrift Store facility during the year which is owned by the Diocese of Charleston. No rental payments were charged for the use of this office space from the Diocese of Charleston. The annual rental value of such donated facilities and property was estimated at \$50,000 for the years ended June 30, 2020 and 2019, which is included in the statements of activities and changes in net assets.

As described in Note 4, Catholic Charities' investments are held in trust by the Foundation, an affiliate and related party.

In June 2019, Catholic Charities executed a promissory note and loan agreement for \$500,000 with the Diocesan co-operative deposit and loan program administered by the Chancery. The promissory note requires monthly payments of interest at the one-month LIBOR rate plus 1.5% not to be less than a floor established by the Chancery (3.25% and 4.5% at June 30, 2020 and 2019, respectively) beginning in July 2019 and lasting through the note's maturity in June 2024, when all principal and interest is due. In April 2020, the Bishop of Charleston changed the floor on all active loans from 4.5% to 3.25% until further notice due to the coronavirus pandemic. Entities participating in the loan program have the option to make scheduled principal payments but are not required to. At June 30, 2020 and 2019, the outstanding balance of this note amounted to \$500,000 and is shown in the balance of the statements of financial position as due to other Diocesan entities.



**CATHOLIC CHARITIES OF SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2020 AND 2019

**Note 8—Retirement plan**

Catholic Charities employees participate in a plan administered by the Diocese of Charleston. After one year of service, the employer contributes 5% of the employee’s monthly salary for employees contributing a minimum of 3% of their monthly salary. The contributions are limited to the maximum annual amounts allowed by the Internal Revenue Service. For the years ended June 30, 2020 and 2019, Catholic Charities made contributions to the lay retirement plan for its employees totaling \$30,911 and \$45,028, respectively.

**Note 9—Net assets with donor restrictions**

Net assets with donor restrictions are restricted for the following purposes or periods at June 30:

	<u>2020</u>	<u>2019</u>
Subject to Expenditure for Specific Purpose:		
Disaster Funds:		
Catholic Charities USA Long Term Recovery Grant	\$ 80,414	\$ 149,144
Disaster assistance - fire	17,118	17,118
Disaster assistance - future	91,587	114,595
Disaster assistance - hurricane	336,331	221,645
Disaster assistance - tornado	20,000	-
Other restricted programs	203,120	497,745
	<u>748,570</u>	<u>1,000,247</u>
Ministry Funds:		
Aid to pregnant women	2,028	478
All pantries	24,659	-
Angel Fund	25,000	-
Blue Cross Blue Shield Save a Smile Grant	52,084	550
Campaign for human development	20,532	18,642
Counseling services	3,616	9,191
COVID-19	10,250	-
Food for the hungry	2,538	2,538
Low country deanery pantry program	47,242	39,320
Make money count program	17,260	17,260
Operation rice bowl	4,872	2,913
Save a smile program	23,780	19,371
Shelter laundry service program	-	2,183
	<u>233,861</u>	<u>112,446</u>
Subject to Appropriation:		
Endowment earnings	101,410	203,379
Endowments held in perpetuity	1,500,000	1,500,000
	<u>1,601,410</u>	<u>1,703,379</u>
	<u>\$ 2,583,841</u>	<u>\$ 2,816,072</u>

**CATHOLIC CHARITIES OF SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2020 AND 2019*

**Note 10—Endowment**

Catholic Charities endowment consists of a fund established primarily for the general support of Catholic Charities. The endowment is comprised only of donor-restricted endowment funds. As required by U.S. GAAP, the net assets associated with the endowments are classified and reported based on the existence or absence of donor-imposed restrictions.

Catholic Charities has interpreted the state of South Carolina enacted version of the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. At June 30, 2020 and 2019, there were no such donor stipulations. As a result of this interpretation, Catholic Charities retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts donated to the endowment) and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by Catholic Charities in a manner consistent with the standard of prudence prescribed by UPMIFA.

Catholic Charities follows an investment policy with long-term growth as the main objective. Catholic Charities relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Catholic Charities utilizes a diversified asset allocation, with greater emphasis on equity-based investments, to achieve its long-term return objectives within prudent risk constraints.

Catholic Charities appropriates for expenditure only amounts for specifically identified expenses as needed and allows spending from underwater endowments. Catholic Charities considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- General economic conditions;
- Possible effect of inflation or deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of Catholic Charities;
- The purpose of the fund and its relationship to the mission of the Catholic Charities; and
- The Catholic Charities’ investment policies.

The following details the changes in Catholic Charities’ endowment net assets for the year ended June 30, 2020:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ -	\$ 1,703,379	\$ 1,703,379
Investment return, net	-	(6,924)	(6,924)
	-	(6,924)	(6,924)
Amounts appropriated for expenditure	-	(95,045)	(95,045)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 1,601,410</u>	<u>\$ 1,601,410</u>

**CATHOLIC CHARITIES OF SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**

*JUNE 30, 2020 AND 2019*

**Note 10—Endowments (continued)**

The following details the changes in Catholic Charities' endowment net assets for the year ended June 30, 2019:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ -	\$ 2,033,201	\$ 2,033,201
Investment return, net	-	76,819	76,819
	-	76,819	76,819
Amounts appropriated for expenditure	-	(406,641)	(406,641)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 1,703,379</u>	<u>\$ 1,703,379</u>

At June 30, 2020 and 2019 Catholic Charities held no underwater endowments.

**Note 11—Commitments and contingencies**

As described in Note 4, the Chancery provides on-going support to Catholic Charities primarily through the Bishop's stewardship appeal. This annual support constitutes a significant part of total support and revenue received.

Catholic Charities' operations may be affected by the recent and ongoing outbreak of coronavirus (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may negatively impact Catholic Charities' financial position, changes in net assets, and cash flows.

**Note 12—Subsequent events**

The Catholic Charities has evaluated subsequent events through October 29, 2020, which is the date these financial statements were available to be issued.