

CATHOLIC CHARITIES OF SOUTH CAROLINA

FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2021 and 2020

And Report of Independent Auditor

CATHOLIC CHARITIES OF SOUTH CAROLINA
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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, 2021 and 2020, 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, 2021 and 2020, 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
December 22, 2021

CATHOLIC CHARITIES OF SOUTH CAROLINA
STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 1,522,669	\$ 1,289,665
Funds held in trust by affiliate:		
Pooled investments	2,036,669	1,633,084
Accounts receivable, net	16,549	37,684
Prepaid expenses	72,280	18,177
Property and equipment, net	862,110	713,293
Total Assets	<u>\$ 4,510,277</u>	<u>\$ 3,691,903</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 84,806	\$ 22,283
Accrued wages and benefits	140,728	132,005
Due to other Diocesan entities	539,459	657,942
Total Liabilities	<u>764,993</u>	<u>812,230</u>
Net Assets:		
Without Donor Restrictions:		
Undesignated	(330,946)	(417,461)
Invested in property and equipment	862,110	713,293
	531,164	295,832
With Donor Restrictions	3,214,120	2,583,841
Total Net Assets	<u>3,745,284</u>	<u>2,879,673</u>
Total Liabilities and Net Assets	<u>\$ 4,510,277</u>	<u>\$ 3,691,903</u>

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

YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Contributions	\$ 1,788,530	\$ 1,101,955	\$ 2,890,485
Donated facilities, property, and services	552,860	-	552,860
Program service fees	329,756	-	329,756
Elder home residential income	677,369	-	677,369
Investment return, net	2,679	472,608	475,287
	<u>3,351,194</u>	<u>1,574,563</u>	<u>4,925,757</u>
Net assets released from restrictions	<u>944,284</u>	<u>(944,284)</u>	<u>-</u>
Total Support and Revenue	<u>4,295,478</u>	<u>630,279</u>	<u>4,925,757</u>
Expenses:			
Program services	3,453,286	-	3,453,286
General and administrative	606,860	-	606,860
Total Expenses	<u>4,060,146</u>	<u>-</u>	<u>4,060,146</u>
Change in net assets	235,332	630,279	865,611
Net assets, beginning of year	<u>295,832</u>	<u>2,583,841</u>	<u>2,879,673</u>
Net assets, end of year	<u>\$ 531,164</u>	<u>\$ 3,214,120</u>	<u>\$ 3,745,284</u>

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

YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Contributions	\$ 1,605,482	\$ 957,895	\$ 2,563,377
Donated facilities, property, and services	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
STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 865,611	\$ (148,750)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation expense	46,255	42,879
Loss on disposal of property and equipment	-	750
Net realized gains from investments	(150,557)	(61,669)
Net unrealized (gains) losses from investments	(324,730)	68,632
Changes in assets and liabilities:		
Accounts receivable	21,135	(25,010)
Prepaid expenses	(54,103)	12,204
Due to other Diocesan entities	(118,483)	155,489
Accounts payable	62,523	(14,339)
Accrued wages and benefits	8,723	6,758
Net cash flows from operating activities	<u>356,374</u>	<u>36,944</u>
Cash flows from investing activities:		
Proceeds from sales of investments	1,514,849	1,892,500
Purchases of investments	(1,443,147)	(1,821,217)
Purchases of property and equipment	<u>(195,072)</u>	<u>(185,052)</u>
Net cash flows from investing activities	<u>(123,370)</u>	<u>(113,769)</u>
Change in cash and cash equivalents	233,004	(76,825)
Cash and cash equivalents, beginning of year	1,289,665	1,366,490
Cash and cash equivalents, end of year	<u>\$ 1,522,669</u>	<u>\$ 1,289,665</u>

CATHOLIC CHARITIES OF SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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, 2021 AND 2020

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. See further information regarding investments in Note 5.

Contributions Receivable – Contributions receivable are recognized as an asset and as revenue in the year received. Catholic Charities does not have any contributions receivable as of June 30, 2021 and 2020.

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.

Contributions – Contributions are considered to be without donor restrictions 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 restrictions are reclassified to net assets without donor restrictions 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, 2021 AND 2020

Note 2—Summary of significant accounting policies (continued)

Contributions (continued) – 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.

Revenue Recognition – Catholic Charities has analyzed the provisions of the Financial Accounting Standards Board’s (“FASB”) ASC Topic 606, *Revenue from Contracts with Customers*, and has adopted the new standard using the modified retrospective method. Management has determined that with the adoption of Topic 606, no material changes to the financial statements are considered necessary to conform to the new standard.

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.

Donated Facilities, Property, and Services – 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.

The Chancery, a related entity of Catholic Charities, provided accounting, human resources, and legal professional services to Catholic Charities without charge in order to provide administrative support. During the year ended June 30, 2021, Catholic Charities recognized revenue and related expense of \$187,321 for contributed services received from the Chancery based on the estimated fair value of comparable services provided by third parties.

Prior to 2021, Catholic Charities did not recognize the value of services provided by personnel of the Chancery. As a result of a change in the accounting standards for not-for-profit entities, Catholic Charities began recognizing revenue and related expense for contributed services received from personnel of the Chancery in 2021. This change is preferable in that it improves transparency regarding the extent of program services and enhances comparability of financial information among not-for-profit entities.

The change in accounting principle was adopted prospectively in 2021. As a result, there was no cumulative effect of the change on the change in net assets, net assets without donor restrictions, or total assets as of January 1, 2021. In addition, the change had no effect on the change in net assets, net assets without donor restrictions, or total assets for 2021.

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 OF SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 2—Summary of significant accounting policies (continued)

Income Taxes (continued) – 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, 2021 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, 2021 and 2020.

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.

Recently Issued Accounting Pronouncement 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 was adopted during the fiscal year ended June 30, 2021. Management has determined that there is no material impact to the financial statements as part of the adoption of the new standard.

Recently Issued Accounting Pronouncements Not Yet Adopted – 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 the fiscal year ending June 30, 2023. Management is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

In September 2020, FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires presentation of contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. It also requires a disclosure of disaggregated contributions of nonfinancial assets by category that depicts the type of contributed nonfinancial assets. This distinction will increase transparency of contributions recognized. This standard will be effective for the fiscal year ending June 30, 2022. Management is currently evaluating the impact the pending adoption will have on the financial statements.

CATHOLIC CHARITIES OF SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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, 2021:

	2021							
	Personnel Expense	Occupancy Expense	Office/ Program Expense	Professional and Contracted Services	Travel and Professional Development	Grants and Other Assistance	Other	Total
Program Services:								
Counseling services	\$ 110,024	\$ 467	\$ 86	\$ -	\$ 3,008	\$ 17,246	\$ -	\$ 130,831
Direct services	531,079	284,734	114,592	50,966	13,570	382,963	9,001	1,386,905
Disaster relief	96,604	2,421	-	8,218	3,143	193,283	-	303,669
Carter May home	694,222	243,727	104,953	1,573	12,095	-	23,804	1,080,374
Immigration services	403,269	110,488	25,616	6,822	3,597	-	1,715	551,507
Total Program Expenses	1,835,198	641,837	245,247	67,579	35,413	593,492	34,520	3,453,286
Administrative:								
Management and general	181,150	92,763	85,448	228,405	8,451	-	10,643	606,860
	<u>\$ 2,016,348</u>	<u>\$ 734,600</u>	<u>\$ 330,695</u>	<u>\$ 295,984</u>	<u>\$ 43,864</u>	<u>\$ 593,492</u>	<u>\$ 45,163</u>	<u>\$ 4,060,146</u>

CATHOLIC CHARITIES OF SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 3—Functional expenses (continued)

Expenses by function and nature consist of the following for the year ended June 30, 2020:

	2020							
	Personnel Expense	Occupancy Expense	Office/ Program Expense	Professional and Contracted Services	Travel and Professional Development	Grants and Other Assistance	Other	Total
Program Services:								
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
Administrative:								
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, 2021 AND 2020

Note 4—Cash, liquidity, and availability of resources

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, 2021, Catholic Charities had \$1,287,587 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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,522,669	\$ 1,289,665
Pooled investments	2,036,669	1,633,084
Accounts receivable, due within one year	16,549	37,684
	<u>3,575,887</u>	<u>2,960,433</u>
Less amounts unavailable for general expenditures:		
Required to satisfy donor restrictions	(3,214,120)	(2,583,841)
Plus: endowment investments available for general purposes and for distribution in accordance with the spending rate policy	<u>71,748</u>	<u>71,702</u>
Financial assets available to meet general expenditures in the next year	<u>\$ 433,515</u>	<u>\$ 448,294</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. 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.

CATHOLIC CHARITIES OF SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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

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’ funds held in trust by affiliate are valued at fair value under Level 1 inputs and consist of the following at June 30:

	2021		2020	
	Cost	Fair Value	Cost	Fair Value
Cash investments with investment companies	\$ 46,541	\$ 46,541	\$ 61,113	\$ 61,113
Corporate and government debt securities	590,074	598,468	491,529	495,849
Equity securities	963,483	1,391,660	941,984	1,076,122
	<u>\$ 1,600,098</u>	<u>\$ 2,036,669</u>	<u>\$ 1,494,626</u>	<u>\$ 1,633,084</u>

Note 6—Property and equipment

Property and equipment consist of the following at June 30:

	2021	2020
Office buildings	\$ 608,647	\$ 608,647
Furniture, vehicles, and equipment	447,898	349,798
Construction in progress	244,117	147,143
	1,300,662	1,105,588
Less accumulated depreciation	(438,552)	(392,295)
	<u>\$ 862,110</u>	<u>\$ 713,293</u>

Depreciation expense for the years ended June 30, 2021 and 2020 was \$46,255 and \$42,879, respectively.

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.

CATHOLIC CHARITIES OF SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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, 2021 and 2020, respectively, and is included in donated facilities, property, and services 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 for the years ended June 30, 2021 and 2020, and is included in donated facilities, property, and services 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. The annual value of these donated services was estimated at \$187,321 for the year ended June 30, 2021, and is included in donated facilities, property, and services revenue in the accompanying statements of activities and changes in net assets. The Chancery also provides direct financial support through the Bishop's stewardship appeal of \$1,010,000 for the years ended June 30, 2021 and 2020, which is included in contributions 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 was estimated at \$50,000 for the years ended June 30, 2021 and 2020, which is included in donated facilities, property, and services revenue in the statements of activities and changes in net assets.

As described in Note 5, 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% at June 30, 2021 and 2020) 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, 2021 and 2020, 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.

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, 2021 and 2020, Catholic Charities made contributions to the lay retirement plan for its employees totaling \$30,778 and \$30,911, respectively.

CATHOLIC CHARITIES OF SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 9—Net assets with donor restrictions

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

	<u>2021</u>	<u>2020</u>
Subject to Expenditure for Specific Purpose:		
Disaster Funds:		
Catholic Charities USA Long Term Recovery Grant	\$ 33,076	\$ 80,414
Disaster assistance - fire	19,118	17,118
Disaster assistance - future	94,587	91,587
Disaster assistance - hurricane	266,671	336,331
Disaster assistance - tornado	1,186	20,000
	<u>916,760</u>	<u>748,570</u>
Ministry Funds:		
Aid to pregnant women	2,053	2,028
All pantries	56,342	24,659
Angel Fund	16,002	25,000
Blue Cross Blue Shield Save a Smile Grant	17,654	52,084
Campaign for human development	14,385	20,532
Counseling services	-	3,616
COVID-19	9,671	10,250
Grants	22,599	-
Food for the hungry	-	2,538
Low country deanery pantry program	50,504	47,242
Make money count program	17,260	17,260
Operation rice bowl	6,785	4,872
Save a smile program	102,112	23,780
Shelter laundry service program	3,019	-
Other restricted programs	502,122	203,120
	<u>820,508</u>	<u>436,981</u>
Subject to Appropriation:		
Accumulated endowment earnings	478,974	101,410
Endowments held in perpetuity	1,500,000	1,500,000
	<u>1,978,974</u>	<u>1,601,410</u>
	<u>\$ 3,214,120</u>	<u>\$ 2,583,841</u>

CATHOLIC CHARITIES OF SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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, 2021 and 2020, 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 contributions receivable, 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, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 1,601,410	\$ 1,601,410
Investment return, net	-	472,608	472,608
	-	472,608	472,608
Amounts appropriated for expenditure	-	(95,044)	(95,044)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 1,978,974</u>	<u>\$ 1,978,974</u>

CATHOLIC CHARITIES OF SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 10—Endowments (continued)

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

	Without Donor Restrictions	With Donor Restrictions	Total
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>

At June 30, 2021 and 2020 Catholic Charities held no underwater endowments.

Note 11—Commitments and contingencies

On January 30, 2020, the World Health Organization declared the coronavirus COVID-19 outbreak a Public Health Emergency of International Concern and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines, or stay-at-home restrictions in certain areas, and forced closures for certain types of public places and businesses. COVID-19 and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets globally, including the geographical areas in which Catholic Charities operates.

While it is unknown how long these conditions will last and what the complete financial impact will be, Catholic Charities is closely monitoring the impact of the COVID-19 pandemic on all aspects of the programming and operations and are unable at this time to predict the continued impact COVID-19 will have on its operations, financial position, and operating results in future periods due to numerous uncertainties.

Note 12—Subsequent events

The Catholic Charities has evaluated subsequent events through December 22, 2021, which is the date these financial statements were available to be issued.