

***Catholic Social Services
and Controlled Organizations
Lincoln, Nebraska***

June 30, 2020 and 2019

***Consolidated Financial Statements
and
Independent Auditor's Report***



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Catholic Social Services
and Controlled Organizations

We have audited the accompanying consolidated financial statements of Catholic Social Services and Controlled Organizations, which comprise the consolidated statements of financial position as of June 30, 2020 and 2019 and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Catholic Social Services and Controlled Organizations as of June 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental consolidating information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Emphasis of Matter

As discussed in Note W to the consolidated financial statements, in 2020, the entity adopted new accounting guidance ASU 2014-09 *Revenue from Contracts with Customers*, ASU 2016-01 *Financial Instruments – Overall (Subtopic 825-10) – Recognition and Measurement of Financial Assets and Financial Liabilities*, ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, and ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. Our opinion is not modified with respect to this matter.

ABE LLP

Lincoln, Nebraska
November 19, 2020

Catholic Social Services and Controlled Organizations

Years ended June 30, 2020 and 2019

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Catholic Social Services and Controlled Organizations

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30,

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents (note A)	\$ 3,004,499	\$ 2,128,713
Receivables (notes A and B)	164,842	163,763
Unconditional promises to give (notes A, B and E)	264,938	226,030
Beneficial interests (notes A and E)	70,897	72,285
Inventory (notes A, C and E)	110,590	139,710
Prepaid expenses	13,084	10,429
Investments (notes A, D and E)	33,340	35,004
Cash surrender value of life insurance	54,540	51,400
Gift annuity investment (notes E and P)	242,495	311,644
Note receivable (note A and F)	334,534	-
Property and equipment (notes A and G)	8,082,053	9,625,567
Funded reserves (notes A and H)	173,320	160,690
Other assets	7,175	9,782
	<u> </u>	<u> </u>
Total assets	<u>\$ 12,556,307</u>	<u>\$ 12,935,017</u>
LIABILITIES		
Accounts payable	\$ 165,196	\$ 142,325
Compensation and benefits payable (note I)	120,346	99,070
Obligation to Apostolate of Suffering (note J)	9,854	9,787
Revolving loan, USCCB (note K)	-	5,000
Notes payable (note L)	1,504,832	987,932
Due to annuitants (note E)	256,093	252,554
Other accrued	2,121	2,121
	<u> </u>	<u> </u>
Total liabilities	<u>2,058,442</u>	<u>1,498,789</u>
NET ASSETS (note A)		
Without donor restrictions		
Undesignated	7,401,580	8,033,602
With donor restrictions (note M)	1,938,947	2,042,586
	<u> </u>	<u> </u>
Total net assets	<u>9,340,527</u>	<u>10,076,188</u>
MEMBERS' EQUITY		
Investor members	1,157,338	1,360,040
	<u> </u>	<u> </u>
Total liabilities, net assets and members' equity	<u>\$ 12,556,307</u>	<u>\$ 12,935,017</u>

See accompanying notes to consolidated financial statements.

Catholic Social Services and Controlled Organizations

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years ended June 30,

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
CHANGES IN NET ASSETS						
Revenue and support						
Contributions	\$ 2,067,173	\$ 499,519	\$ 2,566,692	\$ 1,799,517	\$ 883,730	\$ 2,683,247
Less costs of direct benefits to donors	(85,239)	-	(85,239)	(85,717)	-	(85,717)
Gross receipts from sales of product	112,103	-	112,103	202,773	-	202,773
Gross receipts from rent	95,433	-	95,433	7,162	-	7,162
Contributed goods and services	1,814,150	-	1,814,150	2,205,721	-	2,205,721
Contributed use of facilities	24,273	-	24,273	24,273	-	24,273
Contributions - Diocesan Charity & Stewardship Appeal	27,500	-	27,500	27,500	-	27,500
Contributions - Diocese of Lincoln - other	35,021	-	35,021	10,747	-	10,747
Contributions received through United Way	165,319	20,200	185,519	63,647	85,353	149,000
Private foundations and agency grants	77,096	46,500	123,596	90,491	83,353	173,844
Fees and grants from government agencies	261,991	-	261,991	207,518	-	207,518
Change in value of annuity agreements	-	(72,688)	(72,688)	-	(21,641)	(21,641)
Program service fees, net	553,138	-	553,138	431,491	-	431,491
Gain (loss) on sale of fixed assets	(587,468)	-	(587,468)	-	-	-
Interest and investment income	26,178	-	26,178	41,958	3,065	45,023
Other revenue	34,119	-	34,119	30,994	-	30,994
	<u>4,620,787</u>	<u>493,531</u>	<u>5,114,318</u>	<u>5,058,075</u>	<u>1,033,860</u>	<u>6,091,935</u>
Net assets released from restrictions	<u>597,170</u>	<u>(597,170)</u>	<u>-</u>	<u>465,329</u>	<u>(465,329)</u>	<u>-</u>
Total revenue and support	<u>5,217,957</u>	<u>(103,639)</u>	<u>5,114,318</u>	<u>5,523,404</u>	<u>568,531</u>	<u>6,091,935</u>
Expenses						
Program services						
Mental health clinical	971,946	-	971,946	1,180,605	-	1,180,605
Refugee resettlement	331,362	-	331,362	267,549	-	267,549
Food, clothing, and material assistance	2,004,906	-	2,004,906	1,806,384	-	1,806,384
Gift and thrift	1,029,906	-	1,029,906	1,140,149	-	1,140,149
Housing	350,259	-	350,259	261,441	-	261,441
Evangelization	46,071	-	46,071	49,049	-	49,049
Real estate	132,981	-	132,981	142,287	-	142,287
Gianna's Java and Gelato	199,111	-	199,111	303,338	-	303,338
Diocesan Housing Ministries	32,394	-	32,394	35,055	-	35,055
Progress for People II	328,353	-	328,353	332,498	-	332,498
Supporting services						
Charity fundraising	396,761	-	396,761	308,138	-	308,138
Management and general	228,631	-	228,631	258,947	-	258,947
Total expenses	<u>6,052,681</u>	<u>-</u>	<u>6,052,681</u>	<u>6,085,440</u>	<u>-</u>	<u>6,085,440</u>
INCREASE (DECREASE) IN NET ASSETS	(834,724)	(103,639)	(938,363)	(562,036)	568,531	6,495
Member contributions	-	-	-	630,400	-	630,400
Net assets, beginning of year	<u>9,393,642</u>	<u>2,042,586</u>	<u>11,436,228</u>	<u>9,325,278</u>	<u>1,474,055</u>	<u>10,799,333</u>
Net assets, end of year	<u>\$ 8,558,918</u>	<u>\$ 1,938,947</u>	<u>\$ 10,497,865</u>	<u>\$ 9,393,642</u>	<u>\$ 2,042,586</u>	<u>\$ 11,436,228</u>

See accompanying notes to consolidated financial statements.

Catholic Social Services and Controlled Organizations
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2020

	Program Services					
	Mental Health Clinical	Refugee Resettlement	Food, Clothing and Material Assistance	Gift and Thrift	Housing	Evangelization
Salaries	\$ 627,119	\$ 144,925	\$ 244,156	\$ 526,056	\$ 130,856	\$ 13,462
Employee health and retirement	92,379	21,247	39,379	89,311	15,221	10,751
Payroll taxes	44,004	10,818	17,207	38,577	5,980	889
Product costs	-	-	-	-	-	-
Professional fees	31,775	14,550	11,276	22,793	5,354	12,413
Supplies	6,137	785	2,972	4,529	1,127	1,053
Telephone	7,259	2,203	5,018	5,417	2,489	3
Postage	523	125	524	149	284	22
Building rent	53,727	-	1,275	7,050	-	-
Utilities and maintenance	3,620	2,951	23,994	86,563	10,986	4,432
Equipment acquisition, rent and repair	14,707	2,970	10,313	30,122	1,292	1,635
Depreciation and amortization	6,897	608	1,680	22,846	2,289	799
Printing and publications	1,466	379	1,670	1,179	513	32
Travel	4,044	1,854	15,770	44,642	5,923	-
Continuing education and conferences	3,720	844	1,816	-	793	375
Specific client assistance	-	115,121	610,123	32,371	161,051	-
In-kind goods and services	18,273	-	1,004,994	92,866	360	-
Insurance	9,864	5,973	7,257	5,468	2,464	56
Software support	13,222	5,694	3,437	3,640	3,172	146
Real estate taxes	-	-	-	14,997	-	-
Bad debt expense	1,700	-	-	-	-	-
Other expenses	3,709	315	2,045	1,330	105	3
Contributions and transfers	27,801	-	-	-	-	-
Total expenses	\$ 971,946	\$ 331,362	\$ 2,004,906	\$ 1,029,906	\$ 350,259	\$ 46,071

See accompanying notes to consolidated financial statements.

Real Estate	Gianna's Java and Gelato	Diocesan Housing Ministries	Progress for People II	Total Program Services	Supporting Services			Total
					Charity Fundraising	Management and General	Total Supporting Services	
\$ -	\$ 76,770	\$ -	\$ -	\$ 1,763,344	\$ 179,712	\$ 119,228	\$ 298,940	\$ 2,062,284
-	-	-	-	268,288	31,422	30,001	61,423	329,711
-	-	-	-	117,475	12,474	6,850	19,324	136,799
-	50,035	-	-	50,035	-	-	-	50,035
656	-	3,000	49,857	151,674	37,107	15,657	52,764	204,438
-	4,116	-	13	20,732	2,953	5,137	8,090	28,822
-	-	-	1,971	24,360	1,829	2,164	3,993	28,353
-	-	-	-	1,627	33,555	1,377	34,932	36,559
-	-	-	-	62,052	-	-	-	62,052
1,700	1,667	-	70,473	206,386	1,882	3,397	5,279	211,665
-	1,010	-	-	62,049	5,972	4,720	10,692	72,741
130,625	55,862	27,278	172,993	421,877	576	6,012	6,588	428,465
-	-	-	-	5,239	57,514	186	57,700	62,939
-	-	-	-	72,233	2,583	834	3,417	75,650
-	-	-	-	7,548	114	1,227	1,341	8,889
-	-	-	-	918,666	500	692	1,192	919,858
-	-	-	-	1,116,493	-	22,128	22,128	1,138,621
-	-	-	10,398	41,480	3,369	4,582	7,951	49,431
-	-	-	-	29,311	24,390	2,789	27,179	56,490
-	5,771	2,116	6,718	29,602	-	-	-	29,602
-	-	-	-	1,700	-	-	-	1,700
-	3,880	-	15,930	27,317	809	1,650	2,459	29,776
-	-	-	-	27,801	-	-	-	27,801
<u>\$ 132,981</u>	<u>\$ 199,111</u>	<u>\$ 32,394</u>	<u>\$ 328,353</u>	<u>\$ 5,427,289</u>	<u>\$ 396,761</u>	<u>\$ 228,631</u>	<u>\$ 625,392</u>	<u>\$ 6,052,681</u>

Catholic Social Services and Controlled Organizations
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
 Year ended June 30, 2019

	Program Services					
	Mental Health Clinical	Refugee Resettlement	Food, Clothing and Material Assistance	Gift and Thrift	Housing	Evangelization
Salaries	\$ 774,767	\$ 140,505	\$ 244,541	\$ 594,894	\$ 142,468	\$ 13,949
Employee health and retirement	107,712	20,604	38,138	95,870	15,413	10,395
Payroll taxes	54,764	10,260	17,548	44,364	5,993	926
Product costs	-	-	-	-	-	-
Professional fees	39,759	13,854	11,674	17,123	7,984	11,393
Supplies	19,507	1,024	5,494	6,479	1,981	1,299
Telephone	7,054	1,747	4,805	5,714	2,751	6
Postage	543	49	774	279	792	458
Building rent	53,727	-	1,000	9,075	-	-
Utilities and maintenance	9,562	3,123	31,594	104,209	11,272	6,259
Equipment acquisition, rent and repair	18,319	1,520	7,182	25,904	2,056	172
Depreciation and amortization	16,653	971	2,147	19,589	3,864	640
Printing and publications	1,379	187	913	1,875	1,007	1,762
Travel	9,475	3,659	26,468	82,171	5,578	1,210
Continuing education and conferences	17,750	275	1,733	179	-	363
Specific client assistance	-	56,543	171,792	6,063	44,832	-
In-kind goods and services	18,273	-	1,225,083	97,718	-	-
Insurance	11,240	6,312	6,963	5,912	2,543	50
Software support	13,415	6,754	6,044	8,486	12,779	167
Real estate taxes	-	-	-	12,844	-	-
Bad debt expense	4,200	-	-	-	-	-
Other expenses	2,506	162	2,491	1,401	128	-
Total expenses	<u>\$ 1,180,605</u>	<u>\$ 267,549</u>	<u>\$ 1,806,384</u>	<u>\$ 1,140,149</u>	<u>\$ 261,441</u>	<u>\$ 49,049</u>

See accompanying notes to consolidated financial statements.

Real Estate	Gianna's Java and Gelato	Diocesan Housing Ministries	Progress for People II	Total Program Services	Supporting Services			Total
					Charity Fundraising	Management and General	Total Supporting Services	
\$ -	\$ 132,075	\$ -	\$ -	\$ 2,043,199	\$ 116,229	\$ 130,902	\$ 247,131	\$ 2,290,330
-	-	-	-	288,132	27,009	35,879	62,888	351,020
-	-	-	-	133,855	7,816	7,557	15,373	149,228
-	86,298	-	-	86,298	-	-	-	86,298
25	407	3,000	50,872	156,091	33,767	15,909	49,676	205,767
-	5,936	30	-	41,750	4,333	6,850	11,183	52,933
-	-	-	3,849	25,926	1,885	1,543	3,428	29,354
-	-	-	-	2,895	29,815	2,240	32,055	34,950
-	-	-	-	63,802	-	75	75	63,877
240	2,762	35	57,898	226,954	1,961	3,056	5,017	231,971
-	3,284	-	-	58,437	1,853	1,917	3,770	62,207
142,022	55,862	27,916	172,993	442,657	2,104	11,070	13,174	455,831
-	-	-	-	7,123	54,389	775	55,164	62,287
-	-	-	-	128,561	2,477	3,382	5,859	134,420
-	-	-	-	20,300	-	4,270	4,270	24,570
-	-	-	-	279,230	-	53	53	279,283
-	-	-	-	1,341,074	-	22,128	22,128	1,363,202
-	-	-	9,558	42,578	3,639	5,272	8,911	51,489
-	-	-	-	47,645	18,705	4,380	23,085	70,730
-	6,925	4,074	6,660	30,503	-	-	-	30,503
-	-	-	4,175	8,375	-	-	-	8,375
-	9,789	-	26,493	42,970	2,156	1,689	3,845	46,815
<u>\$ 142,287</u>	<u>\$ 303,338</u>	<u>\$ 35,055</u>	<u>\$ 332,498</u>	<u>\$ 5,518,355</u>	<u>\$ 308,138</u>	<u>\$ 258,947</u>	<u>\$ 567,085</u>	<u>\$ 6,085,440</u>

Catholic Social Services and Controlled Organizations
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30,

	2020	2019
Cash flows from operating activities		
Cash received from revenue and support	\$ 4,639,463	\$ 4,731,691
Cash paid to employees and suppliers	(4,446,415)	(4,457,603)
Investment income received	16,545	23,113
Net cash provided by operating activities	209,593	297,201
Cash flows from investing activities		
Purchase of property and equipment	(71,137)	(342,042)
Proceeds from sale of property and equipment	572,527	-
Increase in funded reserve	(12,630)	(12,747)
Payments on note receivable	40,466	-
Issuance of note receivable	(375,000)	-
Net cash provided (used) by investing activities	154,226	(354,789)
Cash flows from financing activities		
Proceeds from notes payable	516,900	-
Funding for Apostolate of Suffering	67	(1,888)
Principal payments on notes payable	(5,000)	-
Net cash provided (used) by financing activities	511,967	(1,888)
Net increase (decrease) in cash and cash equivalents	875,786	(59,476)
Cash and cash equivalents, beginning of year	2,128,713	2,188,189
Cash and cash equivalents, end of year	\$ 3,004,499	\$ 2,128,713
Reconciliation of increase (decrease) in net assets to net cash provided by operating activities		
Increase (decrease) in net assets	\$ (938,363)	\$ 6,495
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation and amortization	428,465	455,831
Gain on disposal of equipment	362,468	-
Contribution of property and equipment	253,801	-
Bad debt write offs	1,700	8,375
Change in fair value of annuity agreements	72,688	21,642
(Gain) loss on investments	1,664	(2,514)
(Increase) decrease in assets		
Receivables	(2,779)	(42,639)
Unconditional promises to give	(38,908)	(83,922)
Beneficial interests	1,388	(2,551)
Inventory	29,120	(5,070)
Prepaid expenses	(2,655)	3,399
Cash surrender value of life insurance	(3,140)	(3,458)
Increase (decrease) in liabilities		
Accounts payable	22,868	10,030
Compensation and benefits payable	21,276	(38,269)
Other liabilities	-	(30,148)
Total adjustments to increase (decrease) in net assets	1,147,956	290,706
Net cash provided by operating activities	\$ 209,593	\$ 297,201

See accompanying notes to consolidated financial statements.

Catholic Social Services and Controlled Organizations

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Catholic Social Services (CSS) is a separate Nebraska not-for-profit organization in southern Nebraska whose mission is to perform the Works of Mercy in response to the call of God. CSS strives to fulfill this mission through Christ-centered, diocesan-wide, parish-based, and financially solvent human service activities in the areas of mental health counseling, refugee resettlement, emergency, thrift, housing and evangelization services. CSS's major source of funding is from contributions. The Catholic Bishop of Lincoln is the sole corporate member of CSS.

St. Joseph Institute (Controlled Organization) is a separate Nebraska not-for-profit organization formed for the exclusive purpose of holding property for the benefit of CSS. St. Joseph Institute currently accounts for all land, buildings, and leasehold improvements used for the benefit of CSS.

St. Gianna Institute (Controlled Organization) is a not-for-profit extension of CSS' operations, formed for the purpose of operating Gianna's Java and Gelato. The enterprise offered beverages, food, and retail items to patrons for the purpose of further supporting CSS' mission in an evangelistic and educational setting and also provided employment placement and training opportunities for CSS clients. In December of 2019, Gianna's Java and Gelato discontinued operations.

Diocesan Housing Ministries, Inc. (DHMI) (Controlled Organization) is a not-for-profit extension of CSS' operations, formed for the purpose of operating as the Holding Company for Progress for People II. DHMI holds excess land, the convent and the cottage on the housing campus.

Progress for People II, L.L.C (PPII) (Controlled Organization) is a for profit extension off CSS' operations formed to acquire, finance, construct and operate a 24-unit multifamily residential rental development known as Progress for People II (the Project) in Lincoln, Nebraska. The Project serves women who are victims of domestic violence. PPII will continue in perpetuity, unless it is dissolved in accordance with provisions of the operating agreement.

NOTE A - SUMMARY OF ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements follows.

Method of Accounting. The accompanying consolidated financial statements of CSS and Controlled Organizations have been prepared on the accrual basis of accounting.

Principles of Consolidation. The accompanying consolidated financial statements include the accounts of CSS and Controlled Organizations. All significant intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents. For purposes of the consolidated statement of cash flows, CSS and Controlled Organizations considers all highly liquid investments with maturities of three months or less to be cash equivalents. Cash equivalents exclude short-term investments purchased with contributions that have donor-imposed restrictions limiting their use to long-term purposes.

Catholic Social Services and Controlled Organizations

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

Receivables. Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables. Changes in the valuation allowance have not been material to the consolidated financial statements.

Promises to Give. Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Unconditional promises to give that are expected to be collected or paid in more than one year are recognized at the present value of estimated future cash flows. Management provides for probable uncollectible unconditional promises receivable through a charge to net assets and a credit to a valuation allowance based on prior years' experience and management's analysis of specific promises made. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to unconditional promises receivable. Changes in the valuation allowance have not been material to the consolidated financial statements. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Contract Balances. Contract assets represent CSS and Controlled Organizations' right to consideration in exchange for goods or services that have been transferred to the customer before payment is due. Contract liabilities include consideration due or paid by a customer prior to when CSS and Controlled Organizations transfer goods or services and represent the CSS and Controlled Organizations' obligation to the customer. Contract assets are included on the statement of financial position as accounts receivable. As of June 30, 2020 and 2019, the receivables balance includes amounts related to contracts with customers of \$96,358 and \$77,370, respectively. As of June 30, 2020 and 2019 there were no contract liabilities.

Beneficial Interests. Beneficial interests represent irrevocable deferred payment agreements from donors who name CSS and Controlled Organizations as a beneficial party.

Inventory. Inventory is valued at cost for purchased items or at approximate fair value for donated items.

Investments. Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the consolidated statement of financial position. Unrealized gains and losses are included in the consolidated statement of activities.

Fair Value Measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date. CSS and Controlled Organizations utilizes a framework to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

Value Measurements - Continued.

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

Level 2 Inputs to the valuation methodology include:

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

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

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

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Note Receivable. The note receivable is reported at the amount management expects to collect on balances outstanding at year-end. Based on management's assessment of the credit history with the customer having an outstanding balance and current relationship with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

Property and Equipment and Depreciation. Property and equipment are carried at cost, if purchased and at fair market value at the date of contribution, if received by donation, less accumulated depreciation. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives computed primarily on the straight-line method. Equipment is depreciated over estimated useful lives from three to five years. Leasehold improvements are depreciated over the expected term of the lease. Land improvements are depreciated over 15 years. Buildings are depreciated over 27 ½ or 39 years. It is CSS and Controlled Organizations' policy to capitalize property and equipment over \$5,000. Lesser amounts are expensed.

Donated Property and Equipment. CSS and Controlled Organizations report gifts of equipment and other long-lived assets as unrestricted support unless explicit donor restrictions specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the donated assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how those long-lived assets must be maintained, CSS and Controlled Organizations report expirations of donor restrictions when the long-lived assets are placed in service.

Fund Reserves. PPII has established a replacement reserve and an operating deficit reserve as required by the operating agreement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

Unamortized Costs. PPII incurred costs in connection with obtaining the tax credits. These costs have been capitalized and are being amortized using the straight-line method over the credit period.

Net Asset Classification. 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:

Without donor restrictions. Net assets available for use in general operations and not subject to donor or grantor restrictions.

With donor restrictions. Net assets subject to donor- or 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. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. 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, and are reported in the statements of activities as net assets released from restrictions.

Contributions restricted by donors received in the same period when the associated stipulated time or purpose restriction is accomplished are reported as increases in net assets without donor restrictions. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions.

The State of Nebraska adopted UPMIFA effective September 1, 2007. CSS adopted the Financial Accounting Standards Board's guidance and required disclosures for the year ended June 30, 2009. CSS does not have any general limitation endowment funds as of June 30, 2020 and 2019. However, certain contributions have been received subject to donor-specific agreements with CSS. The Board of Directors has determined that these specific limitation endowment funds do meet the definition of "endowment" under UPMIFA.

In accordance with UPMIFA, CSS considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of CSS and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of CSS
- (7) The investment policies of CSS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

Revenue Recognition. The following is a description of CSS and Controlled Organizations' principal sources of revenue:

Contributions. Contributions are recognized when a donor makes a promise to give that is, in substance, unconditional. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. CSS and Controlled Organizations have not received any conditional contributions.

CSS and Controlled Organizations receives some contributions as a result of fundraising events to help support operations. Special events and sponsorship revenue is recognized at the point in time when the event occurs and is reduced by the cost of direct benefits to donors in the statements of activities.

Government and Other Grants. CSS and Controlled Organizations are the recipient of federal, state, and local grants to fund its primary programs. Grants are recorded as revenue when the related approved expenditures are made.

Retail Sales.

Gianna's Java and Gelato

Sales of food and beverage products at Gianna's Java and Gelato are recognized at the point of sale, net of any customer discounts.

Thrift Store

CSS runs a thrift store stocked with donated items of clothing, furniture, children's toys, books, and household goods. Revenue is recognized at the point of sale. Thrift store sales are netted with cost of sales, which equals the value of contributed goods, and are included with contributed goods and services on the statement of activities.

Program Service Fees. Fees charged to program users are recognized at a point in time as CSS and Controlled Organizations satisfy their performance obligations by transferring program benefits or services to users. CSS and Controlled Organizations' primary user fees relate to counseling services.

Donated Goods.

Food Pantries

At June 30, 2020 and 2019, donated food pantry items are valued at \$1.49 and \$1.52 per pound, respectively, which is the approximate average wholesale value of one pound of donated product at the national level as outlined in the *Product Valuation Survey Methodology*, December 31, 2019 and 2018, respectively, prepared by Feeding America, a national food bank network nonprofit corporation. RSM US LLP, an international accounting firm, has performed certain agreed-upon procedures in accordance with standards established by the American Institute of Certified Public Accountants, solely to assist Feeding America with respect to determining the approximate average wholesale value of one pound of donated product at the national level. Their report is available upon request.

Thrift Store

All items donated to the thrift store are recorded as contributed goods at their estimated fair value at the date of donation, which is determined by the resale value of the goods.

Catholic Social Services and Controlled Organizations

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

Donated Services. Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would have otherwise been purchased by the agency. Donated professional services in the amount of \$22,128 were recorded for each of the years ended June 30, 2020 and 2019. Volunteers also provided approximately 20,290 and 25,200 hours of service for the years ended June 30, 2020 and 2019, respectively, helping with thrift stores, fundraising services, and emergency services. These volunteer hours are not recognized as contributions in the consolidated financial statements since the above criteria were not met.

Non-Cash Donations. Non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

Expense Allocation. The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and in the consolidated statements of functional expenses. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation and amortization, which are allocated on a square footage basis, as well as professional fees, supplies, software support, insurance, and other, which are allocated on the basis of estimates of time and effort.

Income Taxes. Catholic Social Services and DHMI are exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. As such, income earned in the performance of their exempt purpose are not subject to income tax. Any income earned through activities not related to their exempt purpose are subject to income tax at normal corporate rates. St. Joseph Institute is exempt from Federal income taxes under Section 501(c)(2) of the Internal Revenue Code. As such, St. Joseph Institute must distribute all income, (less a portion retained to apply to indebtedness on the property), to Catholic Social Services in order to maintain its exempt status. St. Gianna Institute is structured as a disregarded entity under Catholic Social Services. As such, St. Gianna Institute must continue operations consistent with CSS' exempt purpose to maintain its exempt status.

Income earned in the performance of its exempt purpose is not subject to income tax. Any income earned through activities not related to its exempt purpose is subject to income tax at normal corporate rates. PPII's members have elected to have the income taxed as a partnership under provisions of the Internal Revenue Service and a similar section of the Nebraska income tax law. Therefore, taxable income or loss is reported to the individual members for inclusion in their respective tax returns and no provision for federal or state income taxes has been included in the statements. PPII files partnership income tax returns in the U.S. federal jurisdiction and the state of Nebraska, if necessary.

Operating Deficits. CSS shall fund any operating deficits of PPII as defined by the operating agreement in the form of a loan during the compliance period. All loans shall bear interest at a rate of 4% per annum and shall be repaid from cash flow.

Use of Estimates. The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Catholic Social Services and Controlled Organizations

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE B - RECEIVABLES AND UNCONDITIONAL PROMISES TO GIVE

Receivables consist of:

	<u>2020</u>	<u>2019</u>
Client receivables	\$ 147,880	\$ 96,776
Refugee grant receivables	<u>41,752</u>	<u>79,608</u>
	189,632	176,384
Less allowance for uncollectible accounts	<u>(24,790)</u>	<u>(12,621)</u>
	<u>\$ 164,842</u>	<u>\$ 163,763</u>

Unconditional promises to give consist of:

United Way agency designated pledges	\$ 60,200	\$ 52,013
United Way agency award - Lincoln/Lancaster County	62,319	46,000
United Way agency award - Hastings	30,000	28,000
Donor pledges	<u>117,933</u>	<u>110,531</u>
	270,452	236,544
Less allowance for uncollectible accounts	-	(5,000)
Less discount to present value (4.5%)	<u>(5,514)</u>	<u>(5,514)</u>
	<u>\$ 264,938</u>	<u>\$ 226,030</u>

Unconditional promises to give are due in the following periods:

Year ending June 30,

2021	\$ 270,452
Less discount to present value (4.5%)	<u>(5,514)</u>
	<u>\$ 264,938</u>

NOTE C - INVENTORY

Inventory consists of:

Donated vehicles	\$ 2,950	\$ 12,907
Food pantry items	4,248	4,248
Clothing, furniture and appliances	102,392	109,110
Gianna's Java and Gelato retail items	-	1,311
Gianna's Java and Gelato food and beverage items	<u>1,000</u>	<u>12,134</u>
	<u>\$ 110,590</u>	<u>\$ 139,710</u>

Catholic Social Services and Controlled Organizations
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE D - INVESTMENTS

Investments consist of:

	2020	
	Cost	Market
Cemetery lots	\$ 5,000	\$ 5,000
Mutual funds	10,000	28,340
	\$ 15,000	\$ 33,340
Cumulative unrealized gain		\$ 18,340
	2019	
	Cost	Market
Cemetery lots	\$ 5,000	\$ 5,000
Mutual funds	10,000	30,004
	\$ 15,000	\$ 35,004
Cumulative unrealized gain		\$ 20,004

NOTE E - FAIR VALUE MEASUREMENTS

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in methodologies used during the year ended June 30, 2020.

Cemetery lots held for investment: Valued at management’s conservative estimate of market value.

Mutual funds: Valued at the observable net asset value (NAV) of shares held at year end.

Beneficial interests:

U.S. government and agency obligations: Valued using independent pricing models.

Corporate bonds: Valued based on yields currently available on comparable securities of issuers with similar credit ratings.

Municipal bonds: Valued using independent pricing models.

Mortgage backed securities: Valued using independent pricing models.

Other fixed income: Valued using independent pricing models.

Common stock and exchange traded fund: Valued at the closing price reported on the active market on which the individual securities are traded.

Gift annuity investments and beneficial interests: Valued using observable inputs and estimated present value of obligations for the underlying assets and liabilities, respectively.

Catholic Social Services and Controlled Organizations

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE E - FAIR VALUE MEASUREMENTS - CONTINUED

Unconditional promises to give: Valued using the estimated present value of future cash flows. The discount rate (4.5%) used in calculating the present value is the rate available to CSS for a loan of similar length and term.

Due to annuitants: Valued using the estimated present value of the annuity obligation. CSS has elected the fair value option for measuring annuity obligations. The discount rate (0.6% and 2.8% for the years ended June 30, 2020 and 2019, respectively) and the actuarial assumptions used in calculating the annuity obligation are those provided in Internal Revenue Service guidelines and actuarial tables and are updated each period the obligations are valued.

Donated vehicles and equipment: Valued using quoted prices for similar assets.

Food pantry inventory: Valued using observable prices for similar assets.

Thrift inventory: Valued using observable prices for similar assets.

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

The following tables set forth the balances of assets and liabilities measured at fair value on a recurring basis as of June 30, 2020 and 2019.

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2020</u>				
Investments:				
Cemetery lots	\$ 5,000	\$ -	\$ -	\$ 5,000
Mutual funds	<u>28,340</u>	<u>28,340</u>	<u>-</u>	<u>-</u>
	<u>\$ 33,340</u>	<u>\$ 28,340</u>	<u>\$ -</u>	<u>\$ 5,000</u>
Gift annuity investments	<u>\$ 242,495</u>	<u>\$ -</u>	<u>\$ 242,495</u>	<u>\$ -</u>
Unconditional promises to give	<u>\$ 264,938</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 264,938</u>
Beneficial interests	<u>\$ 70,897</u>	<u>\$ -</u>	<u>\$ 37,352</u>	<u>\$ 33,545</u>
Due to annuitants	<u>\$ 256,093</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 256,093</u>

Catholic Social Services and Controlled Organizations

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE E - FAIR VALUE MEASUREMENTS - CONTINUED

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2019</u>				
Investments:				
Cemetery lots	\$ 5,000	\$ -	\$ -	\$ 5,000
Mutual funds	30,004	30,004	-	-
	<u>\$ 35,004</u>	<u>\$ 30,004</u>	<u>\$ -</u>	<u>\$ 5,000</u>
Gift annuity investments	<u>\$ 311,644</u>	<u>\$ -</u>	<u>\$ 311,644</u>	<u>\$ -</u>
Unconditional promises to give	<u>\$ 226,030</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 226,030</u>
Beneficial interests	<u>\$ 72,285</u>	<u>\$ -</u>	<u>\$ 38,078</u>	<u>\$ 34,207</u>
Due to annuitants	<u>\$ 252,554</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 252,554</u>

The following tables set forth a summary of changes in the fair value of the Organization's level 3 assets for the year ended June 30, 2020 and 2019.

	Cemetery Lots	Unconditional Promises to Give	Beneficial Interests	Due to Annuitants
<u>June 30, 2020</u>				
Beginning balance	\$ 5,000	\$ 226,030	\$ 34,207	\$ 252,554
Unconditional promises to give collected during the year	-	(526,189)	-	-
Unconditional promises to give pledged during the year	-	565,097	-	-
Actuarial change in value of split-interest agreements included in change in temporarily restricted net assets	-	-	(662)	3,539
Ending balance	<u>\$ 5,000</u>	<u>\$ 264,938</u>	<u>\$ 33,545</u>	<u>\$ 256,093</u>
	Cemetery Lots	Unconditional Promises to Give	Beneficial Interests	Due to Annuitants
<u>June 30, 2019</u>				
Beginning balance	\$ 5,000	\$ 142,108	\$ 31,143	\$ 262,683
Unconditional promises to give collected during the year	-	(141,462)	-	-
Unconditional promises to give pledged during the year	-	225,384	-	-
Actuarial change in value of split-interest agreements included in increase in temporarily restricted net assets	-	-	3,064	(10,129)
Ending balance	<u>\$ 5,000</u>	<u>\$ 226,030</u>	<u>\$ 34,207</u>	<u>\$ 252,554</u>

Catholic Social Services and Controlled Organizations

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE E - FAIR VALUE MEASUREMENTS - CONTINUED

The following tables set forth the balances of assets and liabilities measured at fair value on a nonrecurring basis as of June 30, 2020 and 2019.

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>June 30, 2020</u>				
Inventory				
Donated vehicle inventory	\$ 2,950	\$ -	\$ 2,950	\$ -
Food pantry inventory	4,248	-	4,248	-
Thrift inventory	102,394	-	102,394	-
	<u>\$ 109,592</u>	<u>\$ -</u>	<u>\$ 109,592</u>	<u>\$ -</u>

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>June 30, 2019</u>				
Inventory				
Donated vehicle inventory	\$ 12,907	\$ -	\$ 12,907	\$ -
Food pantry inventory	4,248	-	4,248	-
Thrift inventory	109,110	-	109,110	-
	<u>\$ 126,265</u>	<u>\$ -</u>	<u>\$ 126,265</u>	<u>\$ -</u>

NOTE F - NOTE RECEIVABLE

On September 28, 2019 CSS and Controlled Organizations entered into a note receivable in the amount of \$375,000 with a related party. The loan is payable in seven semi-annual installments of \$45,562, including interest at 4% per annum. The final payment is due January 20, 2024.

Catholic Social Services and Controlled Organizations

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE G - PROPERTY AND EQUIPMENT

Property and equipment consists of:

	<u>2020</u>	<u>2019</u>
Vehicles	\$ 285,074	\$ 303,103
Building	7,299,306	8,384,083
Land	1,628,671	1,751,871
Land improvements	776,159	776,159
Leasehold improvements	1,429,143	1,430,410
Equipment	258,628	304,071
Furniture and fixtures	<u>1,239,941</u>	<u>1,299,550</u>
	12,916,922	14,249,247
Less accumulated depreciation	<u>(4,834,869)</u>	<u>(4,623,680)</u>
	<u>\$ 8,082,053</u>	<u>\$ 9,625,567</u>

Depreciation expense for the years ended June 30, 2020 and 2019 was \$425,855 and \$453,221, respectively.

NOTE H - REQUIRED RESERVES

Replacement Reserve. PPII's operating agreement calls for the Company to establish and maintain a reserve for working capital needs, improvements, replacements, and other contingencies of the Company. Beginning June 1, 2011, the replacement reserve is to be funded monthly in the annualized amount of \$400 per unit (to be increased annually by 3%). At June 30, 2020, the balance of the replacement reserve was \$98,848, which met the minimum required balance of \$98,563. June 30, 2019, the balance of the replacement reserve was \$86,434, which met the minimum required balance of \$86,373.

Operating Deficit Reserve. PPII's operating agreement calls for the Company to establish and maintain an operating deficit reserve in order to meet operating expenses which exceed operating income. A minimum of \$72,982 is required to be maintained in the reserve account. The operating deficit reserve balance at June 30, 2020 and 2019 was \$74,472 and \$74,256, respectively, which exceeded the minimum required balance for each year.

NOTE I - COMPENSATION AND BENEFITS PAYABLE

Compensation and benefits payable consists of:

Salaries payable	\$ 56,625	\$ 41,691
Accrued vacation liability	63,013	53,101
Other accrued benefits and taxes	<u>708</u>	<u>4,278</u>
	<u>\$ 120,346</u>	<u>\$ 99,070</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE J - OBLIGATION TO APOSTOLATE OF SUFFERING

The Apostolate of Suffering is a separate non-profit corporation established as a ministry to those suffering with illness. The ministry was originally established in Wisconsin and was reorganized as a Nebraska corporation under the leadership of Bishop Fabian Bruskewitz. The advance recorded is due to the Apostolate of Suffering upon demand. The advance has no stated interest rate. The balance owed to the Apostolate of Suffering was \$9,854 and \$9,787 at June 30, 2020 and 2019, respectively.

NOTE K - REVOLVING LOAN - USCCB

Catholic Social Services was obligated on an interest free loan payable to the United States Catholic Conference of Bishops. The balance owed to USCCB was \$5,000 at June 30, 2019. The loan was paid in full at June 30, 2020.

NOTE L - LONG-TERM OBLIGATIONS

Long-term obligations consist of:

	<u>2020</u>	<u>2019</u>
(a) Paycheck Protection Program Loan, bank	\$ 516,900	\$ -
(b) Note payable, bank	777,932	777,932
(c) Note payable, bank	<u>210,000</u>	<u>210,000</u>
	<u>\$ 1,504,832</u>	<u>\$ 987,932</u>

- (a) Paycheck Protection Program (PPP) Loan, bank, dated April 13, 2020. Original amount \$516,900, payable in 17 annual installments of \$29,095 including interest at 1% per annum. The final payment is due April 13, 2022. The PPP loan has forgiveness provisions up to the entire principal balance and any accrued interest if loan proceeds are spent on qualifying expenditures over a specified period of time and employee compensation levels are maintained. The loan is unsecured. In July, the bank notified CSS and Controlled Organizations of an extended deferral of payments to 10-months after the end of the forgiveness covered period if a loan forgiveness application is not submitted. CSS and Controlled Organizations now has until July 28, 2021 to submit for forgiveness or begin repayments. CSS and Controlled Organizations intend to apply for forgiveness. Maturities are outlined based on the original note because a revised payment schedule with the lender will not be established until it is necessary.
- (b) Tax Credit Assistance Program (TCAP) loan payable, dated October 6, 2010. Original amount \$777,932, payable in annual installments equal to 40% of available cash flow. The loan is non-interest bearing. The note is due upon expiration of the Land Use Restriction Agreement (LURA) in May 2041. The loan is collateralized by all property and equipment of PPII. The Company is required to maintain compliance with certain covenants and restrictions of the TCAP program.
- (c) Federal Home Loan Bank (FHLB) Affordable Housing Program loan, dated December 16, 2010. Original amount \$210,000, will be forgiven upon the successful completion of the requirements of the program. The loan is non-interest bearing. In an event of default, the note shall bear interest at 12% per annum and interest payments are due monthly. The bank may declare the entire principal balance and accrued interest due upon default. The note is collateralized by all property and equipment of PPII.

Catholic Social Services and Controlled Organizations
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE L - LONG-TERM OBLIGATIONS - CONTINUED

Aggregate maturities on long-term obligations for the years following June 30, 2020 are as follows:

<u>Fiscal Year</u>	
2021	\$ 227,375
2022	289,525
2023	-
2024	-
2025	-
Thereafter	<u>987,932</u>
	<u>\$ 1,504,832</u>

NOTE M - NET ASSETS

Net assets with donor restrictions are restricted for the following purposes:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Emergency services client assistance	\$ 245,891	\$ 127,319
Disaster relief	234,051	618,570
St. Gianna Women's Shelter	350,662	341,551
Facilities remodeling	787,046	448,722
Lincoln warehouse	-	32,133
Refugee Service	-	1,201
Neighborhood outreach and downtown building upgrade	-	174,605
	<u>1,617,650</u>	<u>1,744,101</u>
Subject to expenditure for specified purpose and time:		
Food pantry	37,352	38,078
Capital campaign	-	34,207
Emergency services client assistance	-	100,000
	<u>37,352</u>	<u>172,285</u>
Subject to expenditure for specified time:		
United Way	88,200	74,000
Donor directives	30,000	20,000
Net outstanding pledges	165,745	32,200
	<u>283,945</u>	<u>126,200</u>
	<u>\$ 1,938,947</u>	<u>\$ 2,042,586</u>

Catholic Social Services and Controlled Organizations

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE M - NET ASSETS - CONTINUED

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose specified by the donors for the following purposes:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Emergency services client assistance	\$ 176,866	\$ 88,087
Disaster relief	436,319	12,650
St. Gianna Women's Shelter	20,229	5,898
Facilities remodeling	31,062	1,580
Lincoln warehouse	-	226,887
Food pantry	726	332
Refugee Service	2,586	25,271
Neighborhood outreach and downtown building upgrade	<u>908</u>	<u>54,265</u>
	<u>668,696</u>	<u>414,970</u>
Subject to expenditure for specified time:		
United Way	-	72,000
Donor directives	(72,688)	(21,641)
Net outstanding pledges	<u>1,162</u>	<u>-</u>
	<u>(71,526)</u>	<u>50,359</u>
	<u>\$ 597,170</u>	<u>\$ 465,329</u>

NOTE N - RETIREMENT AND POST RETIREMENT BENEFITS

Diocese of Lincoln 401(k) Plan. CSS and Controlled Organizations adopted the 401(k) plan sponsored by the Diocese of Lincoln. This defined contribution plan covers all employees that have attained an age of 21, are regularly scheduled to work at least 25 hours per week, with at least one year of service and more than 900 hours. CSS and Controlled Organizations will make a matching contribution to the plan each pay period of 50% per \$1 on the first 4% of compensation deferred. The Plan also permits a non-elective employer contribution of 5% of annual compensation. An employee is vested after 5 years of service. The total expense was \$97,832 for the year ended June 30, 2020.

Postretirement Plan - Priests. CSS and Controlled Organizations participate in a postretirement benefit plan for retired priests, sponsored by The Catholic Bishop of Lincoln. Benefits are provided on a percentage of average annual compensation of priests during the retirement period. In addition, supplemental medical expenses are provided. CSS and Controlled Organizations contributed \$13,200 and \$20,269 for the years ended June 30, 2020 and 2019, respectively. The plan assets and benefit obligations are accounted for by the sponsoring organization, which is not combined with the CSS and Controlled Organizations for financial reporting purposes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE O - JOINT COSTS

Joint costs are incurred for the printing of monthly prayer and contribution cards. These joint costs have been allocated between program services and charity fundraising. Joint costs allocated for the year ended June 30, 2020 included \$5,838 categorized as evangelization and \$11,852 categorized as charity fundraising for a total of \$17,690. Joint costs allocated for the year ended June 30, 2019 included \$4,509 categorized as evangelization and \$13,526 categorized as charity fundraising for a total of \$18,035.

NOTE P - SPLIT-INTEREST AGREEMENTS

CSS and Controlled Organizations have entered into irrevocable agreements (split-interest agreements) with donors whereby in exchange for a gift from the donor, CSS and Controlled Organizations are obligated to provide an annuity to the donor or other designated beneficiaries for a specific number of years or for the life of the beneficiary.

When a gift annuity is created, the value of the annuity contract (payments due the annuitant) is determined under Section 72 of the Internal Revenue Code and the tables thereunder and treated as a liability to CSS and Controlled Organizations. The discount rate and actuarial assumptions used in calculating the annuity obligation are those provided in Internal Revenue Service guidelines and actuarial tables. The difference between this liability and the total amount deposited by the annuitant is treated as a current contribution.

For the years ended June 30, 2020 and 2019, there were no new contributed gift annuity contract agreements.

NOTE Q - CONTINGENCIES

Tax Credits. PPII's Low-Income House Tax Credits are contingent on its ability to maintain compliance with applicable sections of Section 42 of the Internal Revenue Code. Failure to maintain compliance with occupant eligibility, and/or unit gross rent, or to correct noncompliance within a specified time period could result in recapture of previously taken tax credits plus interest. If instances of noncompliance occur, it may require an adjustment to the capital contributed by the investor members.

FHLB Affordable Housing Program Note Payable. During 2012, PPII received funding of \$210,000 under the Federal Home Loan Bank Affordable Housing Program (Program). The funding was received in the form of a note payable. If the Organization complies with all of the requirements of the Program through May 10, 2026, the note will be forgiven.

Catholic Social Services and Controlled Organizations

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE R - INCOME TAXES

Catholic Social Services and St. Gianna Institute, a disregarded entity, are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. St. Gianna Institute had food and beverage income, which is subject to tax on unrelated business income. CSS and St. Gianna Institute believe that they have appropriate support for any tax positions taken, and as such, do not have any uncertain tax positions that are material to the consolidated financial statements.

At June 30, 2020, CSS has a net operating loss carry forward of \$608,945 to offset future taxable income. A deferred tax asset for the year ended June 30, 2020 has been provided for a timing difference for a Federal and Nebraska net operating loss carryforward for \$127,878, net of valuation allowance of \$127,878.

The Federal and Nebraska net operating loss carryovers expire as follows:

2035	\$ 180,156
2036	143,167
2037	106,711
2038	94,748
2039	<u>84,163</u>
	<u>\$ 608,945</u>

St. Joseph Institute is exempt from federal income taxes under Section 501(c)(2) of the Internal Revenue Code, except on net income derived from unrelated business activities. For the years ended June 30, 2020 and 2019, St. Joseph Institute had no tax liability on unrelated business activity. St. Joseph Institute believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements.

DHMI is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. For the years ended June 30, 2020 and 2019, DHMI had no tax liability on unrelated business activity. DHMI believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements.

The Organizations' federal Returns of Organization Exempt from Income Tax (Form 990 and 990-T) for June 30, 2020, 2019, and 2018 are subject to examination by the IRS, generally for three years after they were filed.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE S - RELATED PARTY TRANSACTIONS

Banking Relationship. All of PPII's cash accounts are with a bank wholly-owned by an investor member. In addition, the bridge loan and the FHLB Affordable Housing Program loan were funded by this bank. At June 30, 2020, the Company owed \$210,000 on the FHLB Affordable Housing Program loan.

Investor Notes. The investor members agreed to make capital contributions to PPII through payments on installment notes. The Company received the final payments on these notes of \$641,274 (principal of \$630,400 and interest of \$10,874) during the year ended June 30, 2020.

Certain members of the board of directors and management team of the Catholic Bishop of Lincoln (CBL) are also members of the board of directors of CSS and Controlled Organizations. The Organizations pay CBL for employee health and property insurance and as documented in Note N, they participate in the retirement plan sponsored by CBL. During the years ended June 30, 2020 and 2019, CSS and Controlled Organizations paid CBL \$439,551 and \$472,285, respectively, for health and property insurance. During the years ended June 30, 2020 and 2019 the Organization also paid CBL \$53,727 for rent.

During the year ended June 30, 2020, CSS and Controlled Organizations sold a property to CBL, which included a note receivable as mentioned in Note F.

NOTE T - CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject CSS and Controlled Organizations to concentrations of credit risk consist principally of an interest-bearing checking account at a financial institution. Accounts at each institution are insured by the FDIC up to \$250,000. As of June 30, 2020 and 2019, CSS and Controlled Organizations' uninsured cash balances total \$1,864,751 and \$1,753,278, respectively. Included in this total is \$947,330 and \$1,220,732 as of June 30, 2020 and 2019, respectively, which represent uninsured deposits held by the Catholic Bishop of Lincoln in the Diocesan Investment and Loan (DIAL) Trust. CSS and Controlled Organizations have not experienced any losses on such accounts.

Catholic Social Services and Controlled Organizations

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE U - AVAILABLE CASH FLOW

PPII is required by the Nebraska Investment Finance Authority (NIFA) to remit an amount equal to one-half of the available cash flow (if any) as payment on the TCAP loan payable as per the TCAP Written Agreement. The calculation for the available cash flow is as follows for the years June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Gross rent receipts	\$ 125,163	\$ 125,750
Cash expenditures		
Operating expenses	115,996	120,229
Increase in funding to reserve accounts	<u>12,161</u>	<u>11,807</u>
Total cash expenditures	<u>128,157</u>	<u>132,036</u>
Cash flow surplus (deficit)	<u>\$ (2,994)</u>	<u>\$ (6,286)</u>

Pursuant to the operating agreement, the cash flow surplus (deficit) is first applied to payment of any operating deficit loans made by the managing member with any remainder being paid 50% to NIFA. At June 30, 2020 and 2019, all of the available cash flow surplus was applied to the balance of the operating deficit loan.

NOTE V - LIQUIDITY AND AVAILABILITY

CSS and Controlled Organizations receive significant contributions and promises to give restricted by donors and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures CSS and Controlled Organizations manage their liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintain sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

CSS and Controlled Organizations' financial assets available to meet cash needs for general expenditures within one year of June 30, 2020 and 2019 are as follows:

Cash and cash equivalents	\$ 3,004,499	\$ 2,128,713
Receivables	164,842	163,763
Unconditional promises to give	264,938	226,030
Investments	<u>28,340</u>	<u>35,004</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,462,619</u>	<u>\$ 2,553,510</u>

Catholic Social Services and Controlled Organizations
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE W - NEW ACCOUNTING STANDARDS

Revenue Recognition

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"). ASU 2014-09 provides a single model for entities to use in accounting for revenue arising from contracts with customers. The new standard also requires expanded disclosures regarding the qualitative and quantitative information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The FASB has subsequently issued additional, clarifying standards to address issues arising from implementation of the new revenue recognition standard. ASU 2014-09 and all subsequently issued amendments, collectively "ASC 606," is effective for annual reporting periods beginning after December 15, 2019, but early adoption is permitted. The standard permits the use of either a full retrospective or a modified retrospective approach.

The amount and timing of revenue recognition was not impacted by the new standard, and therefore, no cumulative adjustment was recognized in net assets upon adoption.

CSS and Controlled Organizations early adopted ASC 606 on July 1, 2019 using the modified retrospective method. The revenue recognition policies disclosed in Note A reflect the impact of the adoption of the standard.

Equity Investments

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10) – Recognition and Measurement of Financial Assets and Financial Liabilities*. The amendments in ASU 2016-01 are intended to improve the recognition, measurement, presentation, and disclosure of financial assets and liabilities to provide users of financial statements with information that is more useful for decision-making purposes. The standard does not apply to equity securities accounted for under the equity method of accounting or those that result in the consolidation of the investee. Among other changes, ASU 2016-01 requires equity securities to be measured at fair value with changes in fair value recognized through net income, but allows equity securities that do not have readily determinable fair values to be re-measured at fair value either upon the occurrence of an observable price change or upon identification of an impairment. The amendments simplify the impairment assessment of such equity securities and require enhance disclosure about these investments. ASU 2016-01 also requires separate presentation of financial assets and liabilities by measurement category and type of instrument, such as securities or loans, on the statement of financial position or in the notes, and eliminates certain other disclosures relating to the methods and assumptions used to estimate fair value.

In February 2018, the FASB issued ASU 2018-03, *Technical Corrections and Improvements to Financial Instruments – Overall (Subtopic 825-10) – Recognition and Measurement of Financial Assets and Financial Liabilities*. The standard provides technical corrections and improvements to ASU 2016-01.

CSS and Controlled Organizations adopted the standards, effective for the year ended June 30, 2020 using a modified retrospective approach, with an exception for equity securities without a readily determinable fair value, for which a prospective approach was required. See Note E for further disclosure of CSS and Controlled Organizations' equity investments.

Catholic Social Services and Controlled Organizations
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE W - NEW ACCOUNTING STANDARDS - CONTINUED

Contributions

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounting for as contributions or exchange transactions and determining whether a contribution is conditional. For nonexchange transactions, the contribution guidance in ASC 958 is typically applied, whereas for exchange transactions, an entity should apply ASC 606 or other appropriate guidance. CSS and Controlled Organizations have implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08.

Fair Value Measurement

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The ASU removed some disclosures; modified others, and added some new disclosure requirements. The ASU is effective for all entities for fiscal years beginning after December 15, 2019; however, CSS and Controlled Organizations early adopted the standard, effective for the year ended June 30, 2020, as permitted by the standard. See Note E for disclosure of CSS and Controlled Organizations' assets and liabilities measured at fair value.

NOTE X - RISKS AND UNCERTAINTIES

The COVID-19 (coronavirus) outbreak continues to prompt global health concerns. Consequently, it is possible CSS and Controlled Organizations could be impacted by the resulting volatility in the economy beyond the financial statement date. Specifically, CSS and Controlled Organizations could experience decreases in donor giving and declines in investment markets.

NOTE Y - DISCONTINUED OPERATIONS

St. Gianna Institute, Controlled Organization, discontinued operations in December of 2019. The Organization was created to support the mission of CSS. However, due to the lack of profits from the Controlled Organization, CSS decided to discontinue operations. The assets of the Controlled Organization are expected to be sold. Any remaining financial statement assets, liabilities, and net assets are to be assumed by CSS.

NOTE Z - SUBSEQUENT EVENTS

Subsequent events have been evaluated through the audit report date, the date the consolidated financial statements were available to be issued.

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SUPPLEMENTAL INFORMATION

Catholic Social Services and Controlled Organizations
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2020

	Catholic Social Services	St. Joseph Institute	St. Gianna Institute	Diocesan Housing Ministries	Progress for People II	Eliminations	Consolidated
ASSETS							
Cash and cash equivalents	\$ 2,517,590	\$ 243,130	\$ 1,455	\$ 223,625	\$ 18,699	\$ -	\$ 3,004,499
Receivables	164,842	-	-	-	-	-	164,842
Unconditional promises to give	264,938	-	-	-	-	-	264,938
Beneficial interests	70,897	-	-	-	-	-	70,897
Due from related parties	408,007	-	-	605,888	-	(1,013,895)	-
Inventory	109,590	-	1,000	-	-	-	110,590
Prepaid expenses	13,084	-	-	-	-	-	13,084
Investments	33,340	-	-	75,650	-	(75,650)	33,340
Cash surrender value of life insurance	54,540	-	-	-	-	-	54,540
Gift annuity investment	242,495	-	-	-	-	-	242,495
Note receivable	-	334,534	-	-	-	-	334,534
Property and equipment	88,663	4,085,007	264,883	867,114	2,776,386	-	8,082,053
Funded reserves	-	-	-	-	173,320	-	173,320
Other assets	-	-	-	5,000	2,175	-	7,175
Total assets	\$ 3,967,986	\$ 4,662,671	\$ 267,338	\$ 1,777,277	\$ 2,970,580	\$ (1,089,545)	\$ 12,556,307
LIABILITIES							
Accounts payable	\$ 129,615	\$ -	\$ 18,984	\$ -	\$ 16,597	\$ -	\$ 165,196
Due to related parties	-	-	276,776	4,056	733,063	(1,013,895)	-
Compensation and benefits payable	120,346	-	-	-	-	-	120,346
Obligation to Apostolate of Suffering	9,854	-	-	-	-	-	9,854
Notes payable	516,900	-	-	-	987,932	-	1,504,832
Due to annuitants	256,093	-	-	-	-	-	256,093
Other accrued expenses	-	-	-	2,121	-	-	2,121
Total liabilities	1,032,808	-	295,760	6,177	1,737,592	(1,013,895)	2,058,442
NET ASSETS							
Without donor restrictions							
Undesignated	996,231	4,662,671	(28,422)	1,771,100	-	-	7,401,580
With donor restrictions	1,938,947	-	-	-	-	-	1,938,947
Total net assets	2,935,178	4,662,671	(28,422)	1,771,100	-	-	9,340,527
MEMBERS' EQUITY							
Managing member	-	-	-	-	75,650	(75,650)	-
Investor members	-	-	-	-	1,157,338	-	1,157,338
Total members' equity	-	-	-	-	1,232,988	(75,650)	1,157,338
Total liabilities, net assets and members' equity	\$ 3,967,986	\$ 4,662,671	\$ 267,338	\$ 1,777,277	\$ 2,970,580	\$ (1,089,545)	\$ 12,556,307

Catholic Social Services and Controlled Organizations
CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2019

	Catholic Social Services	St. Joseph Institute	St. Gianna Institute	Diocesan Housing Ministries	Progress for People II	Eliminations	Consolidated
ASSETS							
Cash and cash equivalents	\$ 1,858,856	\$ 25	\$ 17,899	\$ 227,082	\$ 24,851	\$ -	\$ 2,128,713
Receivables	163,763	-	-	-	-	-	163,763
Unconditional promises to give	226,030	-	-	-	-	-	226,030
Beneficial interests	72,285	-	-	-	-	-	72,285
Due from related parties	358,882	-	-	605,888	-	(964,770)	-
Inventory	126,265	-	13,445	-	-	-	139,710
Prepaid expenses	9,094	-	1,335	-	-	-	10,429
Investments	35,004	-	-	75,668	-	(75,668)	35,004
Cash surrender value of life insurance	51,400	-	-	-	-	-	51,400
Gift annuity investment	311,644	-	-	-	-	-	311,644
Property and equipment	129,008	5,334,653	320,745	894,392	2,946,769	-	9,625,567
Funded reserves	-	-	-	-	160,690	-	160,690
Other assets	-	-	-	5,000	4,782	-	9,782
Total assets	\$ 3,342,231	\$ 5,334,678	\$ 353,424	\$ 1,808,030	\$ 3,137,092	\$ (1,040,438)	\$ 12,935,017
LIABILITIES							
Accounts payable	\$ 90,972	\$ -	\$ 27,970	\$ -	\$ 23,383	\$ -	\$ 142,325
Due to related parties	-	-	269,713	4,988	690,069	(964,770)	-
Compensation and benefits payable	99,070	-	-	-	-	-	99,070
Obligation to Apostolate of Suffering	9,787	-	-	-	-	-	9,787
Revolving loan, USCCB	5,000	-	-	-	-	-	5,000
Notes payable	-	-	-	-	987,932	-	987,932
Due to annuitants	252,554	-	-	-	-	-	252,554
Other accrued expenses	-	-	-	2,121	-	-	2,121
Total liabilities	457,383	-	297,683	7,109	1,701,384	(964,770)	1,498,789
NET ASSETS							
Without donor restrictions							
Undesignated	842,262	5,334,678	55,741	1,800,921	-	-	8,033,602
With donor restrictions	2,042,586	-	-	-	-	-	2,042,586
Total net assets	2,884,848	5,334,678	55,741	1,800,921	-	-	10,076,188
MEMBERS' EQUITY							
Managing member	-	-	-	-	75,668	(75,668)	-
Investor members	-	-	-	-	1,360,040	-	1,360,040
Total members' equity	-	-	-	-	1,435,708	(75,668)	1,360,040
Total liabilities, net assets and members' equity	\$ 3,342,231	\$ 5,334,678	\$ 353,424	\$ 1,808,030	\$ 3,137,092	\$ (1,040,438)	\$ 12,935,017

Catholic Social Services and Controlled Organizations

CONSOLIDATING STATEMENT OF ACTIVITIES

Year ended June 30, 2020

	Catholic Social Services	St. Joseph Institute	St. Gianna Institute	Diocesan Housing Ministries	Progress for People II	Eliminations	Consolidated
CHANGES IN NET ASSETS							
Revenue and support							
Contributions	\$ 2,563,847	\$ -	\$ 2,845	\$ -	\$ -	\$ -	\$ 2,566,692
Less costs of direct benefits to donors	(85,239)	-	-	-	-	-	(85,239)
Gross receipts from sales of product	-	-	112,103	-	-	-	112,103
Gross rent receipts	-	-	-	-	125,163	(29,730)	95,433
Contributed goods and services	1,814,150	37,483	-	-	-	(37,483)	1,814,150
Contributed use of facilities	24,273	-	-	-	-	-	24,273
Contributions - Diocesan Charity & Stewardship Appeal	27,500	-	-	-	-	-	27,500
Contributions - Diocese of Lincoln - other	35,021	-	-	-	-	-	35,021
Contributions received through United Way	185,519	-	-	-	-	-	185,519
Private foundations and agency grants	123,596	-	-	-	-	-	123,596
Fees and grants from government agencies	261,991	-	-	-	-	-	261,991
Change in value of annuity agreements	(72,688)	-	-	-	-	-	(72,688)
Program service fees, net	553,138	-	-	-	-	-	553,138
Gain (Loss) on sale of fixed assets	(5,863)	(581,605)	-	-	-	-	(587,468)
Interest and investment income	18,021	5,096	-	2,591	470	-	26,178
Other revenue	34,119	-	-	-	-	-	34,119
Total revenue and support	5,477,385	(539,026)	114,948	2,591	125,633	(67,213)	5,114,318
Expenses							
Program services							
Mental health clinical	971,946	-	-	-	-	-	971,946
Refugee resettlement	331,362	-	-	-	-	-	331,362
Food, clothing, and material assistance	2,004,906	-	-	-	-	-	2,004,906
Gift and thrift	1,029,906	-	-	-	-	-	1,029,906
Housing	379,989	-	-	-	-	(29,730)	350,259
Evangelization	46,071	-	-	-	-	-	46,071
Real estate	37,483	132,981	-	-	-	(37,483)	132,981
Gianna's Java and Gelato	-	-	199,111	-	-	-	199,111
Diocesan Housing Ministries	-	-	-	32,412	-	(18)	32,394
Progress for People II	-	-	-	-	328,353	-	328,353
Supporting services							
Charity fundraising	396,761	-	-	-	-	-	396,761
Management and general	228,631	-	-	-	-	-	228,631
Total expenses	5,427,055	132,981	199,111	32,412	328,353	(67,231)	6,052,681
INCREASE (DECREASE) IN NET ASSETS	50,330	(672,007)	(84,163)	(29,821)	(202,720)	18	(938,363)
Net assets, beginning of year	2,884,848	5,334,678	55,741	1,800,921	1,435,708	(75,668)	11,436,228
Net assets, end of year	\$ 2,935,178	\$ 4,662,671	\$ (28,422)	\$ 1,771,100	\$ 1,232,988	\$ (75,650)	\$ 10,497,865

Catholic Social Services and Controlled Organizations

CONSOLIDATING STATEMENT OF ACTIVITIES

Year ended June 30, 2019

	Catholic Social Services	St. Joseph Institute	St. Gianna Institute	Diocesan Housing Ministries	Progress for People II	Eliminations	Consolidated
CHANGES IN NET ASSETS							
Revenue and support							
Contributions	\$ 2,677,430	\$ -	\$ 5,817	\$ -	\$ -	\$ -	\$ 2,683,247
Less costs of direct benefits to donors	(85,717)	-	-	-	-	-	(85,717)
Gross receipts from sales of product	-	-	202,773	-	-	-	202,773
Gross rent receipts	-	-	-	-	129,925	(122,763)	7,162
Contributed goods and services	2,205,721	277,292	-	-	-	(277,292)	2,205,721
Contributed use of facilities	24,273	-	-	-	-	-	24,273
Contributions - Diocesan Charity & Stewardship Appeal	27,500	-	-	-	-	-	27,500
Contributions - Diocese of Lincoln - other	10,747	-	-	-	-	-	10,747
Contributions received through United Way	149,000	-	-	-	-	-	149,000
Private foundations and agency grants	173,844	-	-	-	-	-	173,844
Fees and grants from government agencies	207,518	-	-	-	-	-	207,518
Change in value of annuity agreements	(21,641)	-	-	-	-	-	(21,641)
Program service fees, net	431,491	-	-	-	-	-	431,491
Interest and investment income	29,085	-	-	4,124	11,814	-	45,023
Other revenue	30,994	-	-	-	-	-	30,994
Total revenue and support	5,860,245	277,292	208,590	4,124	141,739	(400,055)	6,091,935
Expenses							
Program services							
Mental health clinical	1,180,605	-	-	-	-	-	1,180,605
Refugee resettlement	267,549	-	-	-	-	-	267,549
Food, clothing, and material assistance	1,806,384	-	-	-	-	-	1,806,384
Gift and thrift	1,140,149	-	-	-	-	-	1,140,149
Housing	384,204	-	-	-	-	(122,763)	261,441
Evangelization	49,049	-	-	-	-	-	49,049
Real estate	277,292	142,287	-	-	-	(277,292)	142,287
Gianna's Java and Gelato	-	-	303,338	-	-	-	303,338
Diocesan Housing Ministries	-	-	-	35,091	-	(36)	35,055
Progress for People II	-	-	-	-	332,498	-	332,498
Supporting services							
Charity fundraising	308,138	-	-	-	-	-	308,138
Management and general	258,947	-	-	-	-	-	258,947
Total expenses	5,672,317	142,287	303,338	35,091	332,498	(400,091)	6,085,440
INCREASE (DECREASE) IN NET ASSETS	187,928	135,005	(94,748)	(30,967)	(190,759)	36	6,495
Member contributions	-	-	-	-	630,400	-	630,400
Net assets, beginning of year	2,696,920	5,199,673	150,489	1,831,888	996,067	(75,704)	10,799,333
Net assets, end of year	\$ 2,884,848	\$ 5,334,678	\$ 55,741	\$ 1,800,921	\$ 1,435,708	\$ (75,668)	\$ 11,436,228

Catholic Social Services and Controlled Organizations

CONSOLIDATING STATEMENT OF EXPENSES

Year ended June 30, 2020

	Catholic Social Services	St. Joseph Institute	St. Gianna Institute	Diocesan Housing Ministries	Progress for People II	Eliminations	Consolidated
Salaries	\$ 1,985,514	\$ -	\$ 76,770	\$ -	\$ -	\$ -	\$ 2,062,284
Employee health and retirement	329,711	-	-	-	-	-	329,711
Payroll taxes	136,798	-	-	-	-	-	136,798
Product costs	-	-	50,035	-	-	-	50,035
Professional fees	150,925	656	-	3,000	49,857	-	204,438
Supplies	24,692	-	4,116	-	13	-	28,821
Telephone	26,382	-	-	-	1,971	-	28,353
Postage	36,559	-	-	-	-	-	36,559
Building rent	62,052	-	-	-	-	-	62,052
Utilities and maintenance	137,825	1,700	1,667	-	70,473	-	211,665
Equipment acquisition, rent and repair	71,731	-	1,010	-	-	-	72,741
Depreciation and amortization	41,707	130,625	55,862	27,278	172,993	-	428,465
Printing and publications	62,939	-	-	-	-	-	62,939
Travel	75,650	-	-	-	-	-	75,650
Continuing education and conferences	8,889	-	-	-	-	-	8,889
Specific client assistance	949,588	-	-	-	-	(29,730)	919,858
In-kind goods and services	1,138,622	-	-	-	-	-	1,138,622
Insurance	39,033	-	-	-	10,398	-	49,431
Software support	56,490	-	-	-	-	-	56,490
Real estate taxes	14,997	-	5,771	2,116	6,718	-	29,602
Bad debt expense	1,700	-	-	-	-	-	1,700
Other expenses	9,967	-	3,880	18	15,930	(18)	29,777
Contributions and transfers	65,284	-	-	-	-	(37,483)	27,801
Total expenses	\$ 5,427,055	\$ 132,981	\$ 199,111	\$ 32,412	\$ 328,353	\$ (67,231)	\$ 6,052,681

Catholic Social Services and Controlled Organizations

CONSOLIDATING STATEMENT OF EXPENSES

Year ended June 30, 2019

	Catholic Social Services	St. Joseph Institute	St. Gianna Institute	Diocesan Housing Ministries	Progress for People II	Eliminations	Consolidated
Salaries	\$ 2,158,255	\$ -	\$ 132,075	\$ -	\$ -	\$ -	\$ 2,290,330
Employee health and retirement	351,020	-	-	-	-	-	351,020
Payroll taxes	149,228	-	-	-	-	-	149,228
Product costs	-	-	86,298	-	-	-	86,298
Professional fees	151,463	25	407	3,000	50,872	-	205,767
Supplies	46,967	-	5,936	30	-	-	52,933
Telephone	25,505	-	-	-	3,849	-	29,354
Postage	34,950	-	-	-	-	-	34,950
Building rent	63,877	-	-	-	-	-	63,877
Utilities and maintenance	171,036	240	2,762	35	57,898	-	231,971
Equipment acquisition, rent and repair	58,923	-	3,284	-	-	-	62,207
Depreciation and amortization	57,038	142,022	55,862	27,916	172,993	-	455,831
Printing and publications	62,287	-	-	-	-	-	62,287
Travel	134,420	-	-	-	-	-	134,420
Continuing education and conferences	24,570	-	-	-	-	-	24,570
Specific client assistance	402,046	-	-	-	-	(122,763)	279,283
In-kind goods and services	1,363,202	-	-	-	-	-	1,363,202
Insurance	41,931	-	-	-	9,558	-	51,489
Software support	70,730	-	-	-	-	-	70,730
Real estate taxes	12,844	-	6,925	4,074	6,660	-	30,503
Bad debt expense	4,200	-	-	-	4,175	-	8,375
Other expenses	10,533	-	9,789	36	26,493	(36)	46,815
Contributions and transfers	277,292	-	-	-	-	(277,292)	-
Total expenses	<u>\$ 5,672,317</u>	<u>\$ 142,287</u>	<u>\$ 303,338</u>	<u>\$ 35,091</u>	<u>\$ 332,498</u>	<u>\$ (400,091)</u>	<u>\$ 6,085,440</u>

Catholic Social Services and Controlled Organizations
CONSOLIDATING STATEMENT OF CASH FLOWS

Year ended June 30, 2020

	Catholic Social Services	St. Joseph Institute	St. Gianna Institute	Diocesan Housing Ministries	Progress for People II	Eliminations	Consolidated
Cash flows from operating activities							
Cash received from revenue and support	\$ 4,391,195	\$ 42,579	\$ 114,948	\$ 2,591	\$ 125,633	\$ (37,483)	\$ 4,639,463
Cash paid to employees and suppliers	(4,224,947)	(2,356)	(131,392)	(6,048)	(119,155)	37,483	(4,446,415)
Investment income received	16,545	-	-	-	-	-	16,545
Net cash provided (used) by operating activities	182,793	40,223	(16,444)	(3,457)	6,478	-	209,593
Cash flows from investing activities							
Purchase of property and equipment	(36,026)	(35,111)	-	-	-	-	(71,137)
Proceeds from sale of property and equipment	-	572,527	-	-	-	-	572,527
Increase in funded reserves	-	-	-	-	(12,630)	-	(12,630)
Payments on note receivable	-	40,466	-	-	-	-	40,466
Issuance of note receivable	-	(375,000)	-	-	-	-	(375,000)
Net cash provided (used) by investing activities	(36,026)	202,882	-	-	(12,630)	-	154,226
Cash flows from financing activities							
Proceeds from notes payable	516,900	-	-	-	-	-	516,900
Funding for Apostolate of Suffering	67	-	-	-	-	-	67
Principal payments on notes payable	(5,000)	-	-	-	-	-	(5,000)
Net cash provided by financing activities	511,967	-	-	-	-	-	511,967
Net increase (decrease) in cash and cash equivalents	658,734	243,105	(16,444)	(3,457)	(6,152)	-	875,786
Cash and cash equivalents, beginning of year	1,858,856	25	17,899	227,082	24,851	-	2,128,713
Cash and cash equivalents, end of year	\$ 2,517,590	\$ 243,130	\$ 1,455	\$ 223,625	\$ 18,699	\$ -	\$ 3,004,499
Reconciliation of increase (decrease) in net assets to net cash provided (used) by operating activities							
Increase (decrease) in net assets	\$ 50,330	\$ (672,007)	\$ (84,163)	\$ (29,821)	\$ (202,720)	\$ 18	\$ (938,363)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities							
Depreciation and amortization	41,707	130,625	55,862	27,278	172,993	-	428,465
Gain on disposal of equipment	5,863	356,605	-	-	-	-	362,468
Contribution of property and equipment	28,801	225,000	-	-	-	-	253,801
Bad debt write offs	1,700	-	-	-	-	-	1,700
Change in fair value of annuity agreements	72,688	-	-	-	-	-	72,688
Loss on investment in subsidiary	-	-	-	18	-	(18)	-
Gain on investments	1,664	-	-	-	-	-	1,664
(Increase) decrease in assets							
Receivables	(2,779)	-	-	-	-	-	(2,779)
Unconditional promises to give	(38,908)	-	-	-	-	-	(38,908)
Beneficial interests	1,388	-	-	-	-	-	1,388
Due from related parties	(49,125)	-	-	-	-	49,125	-
Inventory	16,675	-	12,445	-	-	-	29,120
Prepaid expenses	(3,990)	-	1,335	-	-	-	(2,655)
Cash surrender value of life insurance	(3,140)	-	-	-	-	-	(3,140)
Increase (decrease) in liabilities							
Accounts payable	38,643	-	(8,986)	-	(6,789)	-	22,868
Compensation and benefits payable	21,276	-	-	-	-	-	21,276
Due to related parties	-	-	7,063	(932)	42,994	(49,125)	-
Total adjustments to increase (decrease) in net assets	132,463	712,230	67,719	26,364	209,198	(18)	1,147,956
Net cash provided (used) by operating activities	\$ 182,793	\$ 40,223	\$ (16,444)	\$ (3,457)	\$ 6,478	\$ -	\$ 209,593

Catholic Social Services and Controlled Organizations
CONSOLIDATING STATEMENT OF CASH FLOWS

Year ended June 30, 2019

	Catholic Social Services	St. Joseph Institute	St. Gianna Institute	Diocesan Housing Ministries	Progress for People II	Eliminations	Consolidated
Cash flows from operating activities							
Cash received from revenue and support	\$ 4,340,198	\$ 277,292	\$ 209,184	\$ 4,124	\$ 178,185	\$ (277,292)	\$ 4,731,691
Cash paid to employees and suppliers	(4,332,268)	(265)	(228,074)	(30)	(174,258)	277,292	(4,457,603)
Investment income received	23,113	-	-	-	-	-	23,113
Net cash provided (used) by operating activities	31,043	277,027	(18,890)	4,094	3,927	-	297,201
Cash flows from investing activities							
Purchase of property and equipment	(65,040)	(277,002)	-	-	-	-	(342,042)
Increase in funded reserves	-	-	-	-	(12,747)	-	(12,747)
Net cash used by investing activities	(65,040)	(277,002)	-	-	(12,747)	-	(354,789)
Cash flows from financing activities							
Funding for Apostolate of Suffering	(1,888)	-	-	-	-	-	(1,888)
Net increase (decrease) in cash and cash equivalents	(35,885)	25	(18,890)	4,094	(8,820)	-	(59,476)
Cash and cash equivalents, beginning of year	1,894,741	-	36,789	222,988	33,671	-	2,188,189
Cash and cash equivalents, end of year	\$ 1,858,856	\$ 25	\$ 17,899	\$ 227,082	\$ 24,851	\$ -	\$ 2,128,713
Reconciliation of increase (decrease) in net assets to net cash provided (used) by operating activities							
Increase (decrease) in net assets	\$ 187,928	\$ 135,005	\$ (94,748)	\$ (30,967)	\$ (190,759)	\$ 36	\$ 6,495
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities							
Depreciation	57,038	142,022	55,862	27,916	172,993	-	455,831
Bad debt write offs	4,200	-	-	-	4,175	-	8,375
Change in fair value of annuity agreements	21,642	-	-	-	-	-	21,642
Loss on investment in subsidiary	-	-	-	36	-	(36)	-
Gain on investments	(2,514)	-	-	-	-	-	(2,514)
(Increase) decrease in assets							
Receivables	(71,329)	-	594	-	28,096	-	(42,639)
Unconditional promises to give	(83,922)	-	-	-	-	-	(83,922)
Beneficial interests	(2,551)	-	-	-	-	-	(2,551)
Due from related parties	(36,403)	-	-	-	-	36,403	-
Inventory	(4,615)	-	(455)	-	-	-	(5,070)
Prepaid expenses	3,634	-	(235)	-	-	-	3,399
Cash surrender value of life insurance	(3,458)	-	-	-	-	-	(3,458)
Increase (decrease) in liabilities							
Accounts payable	(338)	-	4,204	-	6,164	-	10,030
Compensation and benefits payable	(38,269)	-	-	-	-	-	(38,269)
Other liabilities	-	-	-	2,121	(32,269)	-	(30,148)
Due to related parties	-	-	15,888	4,988	15,527	(36,403)	-
Total adjustments to increase (decrease) in net assets	(156,885)	142,022	75,858	35,061	194,686	(36)	290,706
Net cash provided (used) by operating activities	\$ 31,043	\$ 277,027	\$ (18,890)	\$ 4,094	\$ 3,927	\$ -	\$ 297,201

Catholic Social Services and Controlled Organizations

PROGRAM EXPENSES FUNDED (IN PART) BY UNITED WAY

Year ended June 30, 2020

	St. Gianna Women's Homes Housing	Emergency Services	St. Francis Food Pantry and Sack Lunch
Salaries	\$ 98,325	\$ 44,482	\$ 54,526
Employee health and retirement	4,423	5,431	7,665
Payroll taxes	2,851	3,424	3,635
Professional fees	4,639	1,236	6,376
Supplies	1,084	47	726
Telephone	1,230	79	1,057
Postage	260	8	3
Utilities and maintenance	7,815	773	9,741
Equipment acquisition, rent and repair	903	258	10,074
Depreciation	2,191	26	1,141
Printing and publications	324	55	237
Travel	5,483	256	2,719
Continuing education and conferences	793	324	-
Specific client assistance - general	143,140	88,535	16,034
Specific client assistance - flood relief Nebraska	-	436,318	-
Insurance	997	310	2,146
Software support	2,684	488	586
Real estate taxes	-	6	320
Other expenses	-	-	220
	<u>\$ 277,142</u>	<u>\$ 582,056</u>	<u>\$ 117,206</u>