

**CATHOLIC CHARITIES OF THE
DIOCESE OF WINONA**

WINONA, MINNESOTA

FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

**CATHOLIC CHARITIES OF THE
DIOCESE OF WINONA**

WINONA, MINNESOTA

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RUSSELL & ASSOCIATES_{LLC}

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Catholic Charities of the Diocese of Winona

Report on the Financial Statements

We have audited the accompanying financial statements of Catholic Charities of the Diocese of Winona, (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 the Diocese of Winona, as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of revenue and other support on page 25 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

A handwritten signature in dark ink, reading "Russell E. Associates, LLC". The signature is written in a cursive, flowing style.

Winona, Minnesota
October 30, 2017

CATHOLIC CHARITIES OF THE DIOCESE OF WINONA
STATEMENTS OF FINANCIAL POSITION

	JUNE 30,	
	2017	2016
<u>ASSETS</u>		
Cash and cash equivalents	\$ 661,517	\$ 715,688
Receivables		
United Way Agencies	14,548	11,430
United States Conference of Catholic Bishops	35,305	89,480
Program fees, net of allowance for contractual adjustments of \$10,000 and \$10,000, respectively	76,870	53,592
Grants	162,587	87,613
Contributions	830,303	19,272
Other	82,368	34,106
Less allowance for uncollectible accounts	(17,612)	(10,252)
Investments	436,132	498,378
Other assets	59,160	47,815
Property and equipment (net)	500,829	382,156
 TOTAL ASSETS	 <u>\$ 2,842,007</u>	 <u>\$ 1,929,278</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable and accrued expenses	\$ 229,482	\$ 228,187
Advance from United States Conference of Catholic Bishops	7,700	7,700
Assets held for Catholic Charities Foundation	-	86,148
Deferred revenue	-	2,000
Note payable	4,019	7,617
Accrued loss from litigation claims	300,000	300,000
 TOTAL LIABILITIES	 541,201	 631,652
NET ASSETS		
Unrestricted		
Board designated	510,469	510,469
Undesignated - investment in property and equipment	500,829	382,156
Undesignated	617,381	(50,254)
Temporarily restricted	670,627	453,755
Permanently restricted	1,500	1,500
TOTAL NET ASSETS	<u>2,300,806</u>	<u>1,297,626</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 2,842,007</u>	 <u>\$ 1,929,278</u>

See notes to financial statements.

**CATHOLIC CHARITIES OF THE DIOCESE OF WINONA
STATEMENT OF ACTIVITIES**

	YEAR ENDED JUNE 30, 2017			
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
REVENUE, GAINS AND OTHER SUPPORT				
Contributions				
Diocese of Winona				
Annual appeal and Spirit Circle	\$ 278,601	\$ -	\$ -	\$ 278,601
General and program specific support	175,539	90,989	-	266,528
Parish support	15,550	-	-	15,550
United Way campaigns	106,670	25,198	-	131,868
General donations	282,373	136,555	-	418,928
Bequests and other	864,443	102,622	-	967,065
Program fees	411,609	1,260	-	412,869
Government grants and fees	1,352,399	-	-	1,352,399
Bad debts recovered	197	-	-	197
Investment income	65,950	803	-	66,753
Rent income	1,750	-	-	1,750
Net assets released from restrictions	140,555	(140,555)	-	-
TOTAL REVENUE, GAINS AND OTHER SUPPORT	3,695,636	216,872	-	3,912,508
EXPENSES				
Program services				
Guardian & conservator services	286,578	-	-	286,578
Pregnancy, parenting and adoption	314,436	-	-	314,436
Family and individual counseling	402,127	-	-	402,127
Active aging	500,611	-	-	500,611
Medication application service	74,975	-	-	74,975
Parish social ministry	140,064	-	-	140,064
Refugee resettlement	647,841	-	-	647,841
Administrative and general	386,730	-	-	386,730
Fundraising	155,966	-	-	155,966
TOTAL EXPENSES	2,909,328	-	-	2,909,328
CHANGE IN NET ASSETS	786,308	216,872	-	1,003,180
NET ASSETS AT BEGINNING OF YEAR	842,371	453,755	1,500	1,297,626
NET ASSETS AT END OF YEAR	\$ 1,628,679	\$ 670,627	\$ 1,500	\$ 2,300,806

See notes to financial statements.

CATHOLIC CHARITIES OF THE DIOCESE OF WINONA
STATEMENT OF ACTIVITIES

	YEAR ENDED JUNE 30, 2016			TOTAL
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	
REVENUE, GAINS AND OTHER SUPPORT				
Contributions				
Diocese of Winona				
Annual appeal and Spirit Circle	\$ 278,126	\$ -	\$ -	\$ 278,126
General and program specific support	177,076	20,000	-	197,076
Parish support	13,446	-	-	13,446
United Way campaigns	87,894	15,002	-	102,896
General donations	213,278	166,095	-	379,373
Bequests and other	93,723	-	-	93,723
Program fees	397,458	915	-	398,373
Government grants and fees	1,126,319	-	-	1,126,319
Bad debts recovered	115	-	-	115
Gain on disposal of equipment	(287)	-	-	(287)
Investment income	3,338	590	-	3,928
Net assets released from restrictions	268,505	(268,505)	-	-
TOTAL REVENUE, GAINS AND OTHER SUPPORT	2,658,991	(65,903)	-	2,593,088
EXPENSES				
Program services				
Guardian & conservator services	272,460	-	-	272,460
Clinical counseling, pregnancy, parenting and adoption	714,208	-	-	714,208
Common good retired & senior volunteer program	367,666	-	-	367,666
Medication application service	65,109	-	-	65,109
Parish social ministry	124,214	-	-	124,214
Refugee resettlement and immigration	574,853	-	-	574,853
Administrative and general	349,852	-	-	349,852
Fundraising	150,298	-	-	150,298
TOTAL EXPENSES	2,618,660	-	-	2,618,660
CHANGE IN NET ASSETS	40,331	(65,903)	-	(25,572)
NET ASSETS AT BEGINNING OF YEAR	802,040	519,658	1,500	1,323,198
NET ASSETS AT END OF YEAR	\$ 842,371	\$ 453,755	\$ 1,500	\$ 1,297,626

See notes to financial statements.

CATHOLIC CHARITIES OF THE DIOCESE OF WINONA
STATEMENTS OF CASH FLOWS

	YEARS ENDED JUNE 30,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,003,180	\$ (25,572)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	19,993	18,899
Bad debt expense	18,327	6,578
Donated investments	(1,049)	(4,777)
Loss on disposal of equipment	-	287
Net (gain) loss on investments	(53,774)	6,643
(Increase) decrease in operating assets		
Receivables	(917,455)	18,841
Funds held by the Diocese of Winona	-	19,569
Other assets	(11,345)	11,940
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	1,295	26,036
Deferred revenue	(2,000)	2,000
Assets held for Catholic Charities Foundation	(86,148)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(28,976)	80,444
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(138,666)	(4,866)
Purchase of investments	(10,693)	(9,305)
Proceeds from the sale of investments	127,762	-
NET CASH USED BY INVESTING ACTIVITIES	(21,597)	(14,171)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments of notes payable	(3,598)	(3,218)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(54,171)	63,055
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	715,688	652,633
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 661,517</u>	<u>\$ 715,688</u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Interest paid during the year	\$ 179	\$ 360
Donation of investment securities	\$ 1,049	\$ 4,777
Loan proceeds used to purchased vehicle	\$ -	\$ 10,836

See notes to financial statements.

	Program Services						Support Services			
	Guardian & Conservator Services	Pregnancy, Parenting & Adoption	Family & Individual Counseling	Active Aging	Medication Application Service	Parish Social Ministry	Refugee Resettlement	Administrative and General	Fundraising	Total
Salaries	\$ 197,826	\$ 149,101	\$ 252,481	\$ 249,990	\$ 26,250	\$ 84,778	\$ 239,629	\$ 214,408	\$ 76,338	\$ 1,490,801
Employee benefits	33,559	28,505	43,154	37,505	7,413	14,279	47,707	40,072	13,633	265,827
Payroll taxes	16,106	12,108	20,526	19,220	2,105	6,460	19,557	15,521	6,380	117,983
Professional fees	5,787	6,626	6,036	11,394	1,348	4,064	1,031	32,855	1,075	70,216
Supplies	1,599	1,966	1,960	17,336	256	1,423	8,825	5,644	1,328	40,337
Telephone	3,534	5,143	7,791	8,800	226	1,172	6,377	2,809	2,648	38,500
Postage	1,451	1,602	1,551	2,834	354	321	741	1,911	13,045	23,810
Occupancy	9,703	17,805	32,251	21,421	839	2,096	38,467	10,021	5,101	137,704
Equipment maintenance and rental	1,433	5,191	2,711	6,139	187	323	3,564	2,036	310	21,894
Printing and publications	1,363	13,330	6,681	7,237	1,834	5,299	2,756	41,280	30,273	110,053
Transportation	11,267	9,962	2,134	109,076	304	7,735	14,432	4,392	3,325	162,627
Conferences, meetings and conventions	334	1,821	730	5,194	41	4,887	1,374	2,980	1,422	18,783
Specific assistance to individuals	359	58,834	-	-	33,424	4,505	261,288	-	-	358,410
Organization dues	675	1,171	325	2,510	45	276	301	2,192	533	8,028
Miscellaneous	697	273	21,527	463	71	1,126	2	202	2	24,363
Depreciation	885	998	2,269	1,492	278	1,320	1,790	10,407	553	19,992
Total	\$ 286,578	\$ 314,436	\$ 402,127	\$ 500,611	\$ 74,975	\$ 140,064	\$ 647,841	\$ 386,730	\$ 155,966	\$ 2,909,328

See notes to financial statements.

CATHOLIC CHARITIES OF THE DIOCESE OF WINONA
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2016

	Program Services							Support Services	
	Guardian & Conservator Services	Clinical Counseling, Pregnancy, Parenting & Adoption	Common Good Retired & Senior Volunteer Program	Medication Application Service	Parish Social Ministry	Refugee Resettlement and Immigration	Total	Administrative and General	Fundraising
Salaries	\$ 181,584	\$ 417,715	\$ 210,647	\$ 24,628	\$ 66,334	\$ 204,053	\$ 1,104,961	\$ 218,462	\$ 69,501
Employee benefits	32,490	76,975	26,259	6,048	9,822	47,335	198,929	38,408	12,371
Payroll taxes	16,051	36,787	18,610	2,230	5,519	18,507	97,704	16,793	6,112
Professional fees	7,054	8,705	2,164	1,207	679	799	20,608	30,524	3,575
Supplies	1,955	7,406	4,042	259	712	2,835	17,209	5,882	2,942
Telephone	2,886	14,401	7,573	232	629	3,754	29,475	2,536	2,612
Postage	1,330	3,418	2,020	172	188	608	7,736	1,929	13,130
Occupancy	11,123	50,890	16,820	1,000	581	25,668	106,082	9,982	4,994
Equipment maintenance and rental	4,042	5,487	3,498	271	209	2,251	15,758	3,359	365
Printing and publications	1,083	12,157	788	74	345	296	14,743	2,639	20,106
Transportation	8,932	14,236	71,702	470	10,812	12,810	118,962	4,206	4,759
Conferences, meetings and conventions	258	4,581	1,524	27	2,042	209	8,641	2,394	8,643
Specific assistance to individuals	52	46,865	-	28,190	25,522	253,584	354,213	-	-
Organization dues	512	1,609	579	46	134	332	3,212	2,370	700
Miscellaneous	2,112	9,242	133	15	34	37	11,573	631	30
Depreciation	996	3,734	1,307	240	652	1,775	8,704	9,737	458
Total	\$ 272,460	\$ 714,208	\$ 367,666	\$ 65,109	\$ 124,214	\$ 574,853	\$ 2,118,510	\$ 349,852	\$ 150,298
									\$ 2,618,660

See notes to financial statements.

**CATHOLIC CHARITIES OF THE
DIOCESE OF WINONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 1 - Nature of Activities and Significant Accounting Policies

Nature of Activities - Catholic Charities of the Diocese of Winona (the “Agency”), is a nonprofit Minnesota corporation organized for the purpose of carrying out charitable activities of the Roman Catholic church in that part of Minnesota comprising the Catholic Diocese of Winona (the “Diocese”). The Board of Directors is appointed by the Bishop of the Diocese. The Agency is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state tax codes.

Basis of Presentation - Unrestricted net assets are those funds presently available for use by or on behalf of the Agency, including amounts available for general and administrative expenses. These unrestricted net assets may also include board-designated amounts. Temporarily restricted net assets result from contributions that have donor-imposed stipulations that are restricted for special programs and events or have time-related restrictions. Permanently restricted net assets are contributions that have donor-imposed restrictions whereby the amount of the gift is to be held in perpetuity.

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

Use of Estimates - The preparation of financial statements in conformity 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.

Cash and Cash Equivalents - For the purposes of reporting of the Statements of Cash Flows, the Agency considers all cash accounts, and money market funds which are not subject to withdrawal restrictions or penalties, and all certificates of deposit purchased with an initial maturity of three months or less to be cash and cash equivalents.

Program Fee Receivables - Program fee receivables are carried at original invoice amount, less an estimate made for contractual and agency sliding fee adjustments, and for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer’s financial condition, credit history, and current economic conditions. Program fee receivables are written off when deemed uncollectible. Recoveries of program fee receivables previously written off are recorded as income when received.

**CATHOLIC CHARITIES OF THE
DIOCESE OF WINONA
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2017 AND 2016**

NOTE 1 - Summary of Significant Accounting Policies - Continued

Investments and Investment Income - Shares of common/collective trust funds are reported at fair value based on unit prices quoted by the funds, representing the fair value of the underlying investments. Marketable securities traded on a national exchange are stated at fair value based on quoted market prices. Unrealized gains and losses are reported as a component of investment income based on the change in fair value between reporting periods. Realized gains and losses are reported as a component of investment income based on the original cost of the investment sold and the price at the time of sale. Interest and dividend income is recognized when earned.

Investments are exposed to various risks such as significant world events, threatened default of government debt obligations, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Property and Equipment - Donated items are reported at fair value at the time of donation. Purchased items over \$1,000 are capitalized at cost. Repairs and maintenance are expensed as incurred. Depreciation is provided over useful lives varying from 3 to 40 years using the straight-line method.

Funds Held For Others - Assets received by the Agency in which it is acting as an intermediary between a donor and donee are reported as a liability at the time of receipt. Upon payment to the donee, the liability is removed.

Contributions - Contributions are recognized as revenue in the period received in the form of cash, unconditional promise to give, other assets or decreases in liabilities. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restriction. Permanently restricted amounts are to be held in perpetuity. A conditional promise to give is recognized when the conditional promise becomes unconditional.

Fees and Grants - Revenue from fees, net of contractual adjustments, is recognized in the period the services are provided. Grants are recognized based on the terms of the agreement, which is either over a period of time or based on expenditures incurred. Amounts received but unearned are recorded as deferred revenue.

**CATHOLIC CHARITIES OF THE
DIOCESE OF WINONA
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2017 AND 2016**

NOTE 1 - Summary of Significant Accounting Policies - Continued

Donated Materials and Services - Donated materials are reflected as contributions in the accompanying statements at their fair value at date of receipt. The value of services received is recognized if they create or enhance nonfinancial assets or require specialized skills. During the year ended June 30, 2017, \$61,108 was recorded for in-kind advertising through Google AdWords. No amounts were recognized in the financial statements for the year ended June 30, 2016.

The Agency receives donated office space at two locations. The fair rental value of the office space of \$6,840 and \$10,450, respectively, is recorded in the statement of activities for the years ending June 30, 2017 and 2016.

Expense Allocations - The Statements of Functional Expenses have been prepared using employees' time summaries and other direct allocation procedures. All expenses (other than amounts directly charged to programs) are allocated based on the time spent in each program by employees. Other expenses are identified as directly related to a program and are allocated to that program. The charitable activities of the Agency conducted within the Diocese result from the operation of the following programs:

Guardian & Conservator Services - serving as a court appointed guardian/conservator for individuals deemed unable to make decisions in their personal best interest.

Pregnancy, Parenting and Adoption includes -

Adoption - placing children in adoptive homes and completing adoption home studies for domestic and international adoption.

Post Adoption - providing adoption reunions or medical information for birthparents and for adopted persons over the age of nineteen who were placed through Catholic Charities, Diocese of Winona.

Pregnancy Counseling - offering 24/7/365 pregnancy support and assistance in decision making for those facing an unplanned pregnancy.

Project Rachel - providing counseling and emotional support to individuals experiencing difficulty in recovering after being instrumental in securing an abortion.

Family & Individual Counseling - providing families, couples and individuals with affordable and effective professional counseling services.

**CATHOLIC CHARITIES OF THE
DIOCESE OF WINONA
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2017 AND 2016**

NOTE 1 - Summary of Significant Accounting Policies - Continued

Active Aging - providing individuals at or above age 55 with volunteer opportunities in their local community. In fiscal year 2017, 1,237 Common Good RSVP volunteers provided 111,379 hours of service to 120 not for profit agencies in their communities. In fiscal year 2016, 1,438 Common Good RSVP volunteers provided 117,775 hours of service to 129 not-for-profit agencies in their communities. The Active Aging program also provides a variety of exercise programs for older adults that promote fitness, flexibility, strength, and balance. The program also provides in home services to seniors so that they may continue to live at home safely and effectively.

Medication Application Service - assisting low-income individuals who do not have prescription drug insurance in becoming eligible to receive free prescription medications, medical supplies, and medical devices. In fiscal years 2017 and 2016, clients of the Medication Application Service received, at no cost, prescription medications valued at approximately \$500,000 and \$457,000, respectively, from the pharmaceutical manufacturers.

Parish Social Ministry includes -

Parish Social Ministry - offering leadership and service to the people and institutions of the diocesan church in their task of bringing the church's social mission to life.

Disaster Relief - providing financial assistance to those affected by flood, drought, fire or other disasters.

Winona Community Warming Center - provides overnight shelter during winter months for homeless adults in the Winona area. Services include a warm place to sleep, showers, laundry facilities, healthy snacks and beverages, fellowship, and referrals for additional help.

Refugee Resettlement and Immigration includes -

Refugee Resettlement - supporting refugees with pre-arrival services, arrival and reception services, and orientation and case management services.

Immigration Legal Services - providing culturally appropriate, affordable, and competent legal services to persons needing to better understand and/or improve their legal status under existing immigration law. The program ceased operations during the year ended June 30, 2016.

**CATHOLIC CHARITIES OF THE
DIOCESE OF WINONA
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2017 AND 2016**

NOTE 1 - Summary of Significant Accounting Policies - Continued

The following are certain Agency activities, which are related to those of the Diocese:

- (a) The Diocese conducts an annual Catholic Charities Appeal in all churches in the Diocese to raise donations for use by the Agency for charitable purposes.
- (b) The Bishop of the diocese serves on the Board of Directors and is President, ex-officio of the Agency. Also, several religious personnel in the Diocese serve on the Board of Directors, which also includes many laypersons.

Advertising - The Agency expenses advertising costs as incurred. Advertising expenses were \$76,410 and \$13,479, respectively, for the years ended June 30, 2017 and 2016.

Reclassifications - Certain amounts in the prior year statements have been reclassified for comparison purposes to conform to the current year presentation. These reclassifications had no effect on the change in net assets for 2016.

NOTE 2 – Contributions Receivable

Contributions receivable consist of unconditional promises to give. At June 30, 2017, contributions receivable are as follows:

	2017	2016
Receivable in less than one year	\$ 804,603	\$ 19,272
Receivable in one to five years	22,800	-
More than five years	2,900	-
	<u>\$ 830,303</u>	<u>\$ 19,272</u>

NOTE 3 - Investments

Investment securities outstanding at June 30, 2017 and 2016 are as follows:

June 30, 2017			
<u>Type</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
Common Stock	\$ 3,045	\$ 5,906	\$ 2,861
Mutual Funds	60,301	79,659	19,358
Christian Brothers Investment Services			
CUIT Balanced Fund	154,095	341,948	187,853
Christian Brothers Investment Services			
CUIT Short-Term Government Bond Fund	8,321	8,619	298
	<u>\$ 225,762</u>	<u>\$ 436,132</u>	<u>\$ 210,370</u>

**CATHOLIC CHARITIES OF THE
DIOCESE OF WINONA
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2016 AND 2015**

NOTE 3 – Investments - Continued

June 30, 2016			
<u>Type</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
Common Stock	\$ 21,834	\$ 28,045	\$ 6,211
Mutual Funds	67,366	87,743	20,377
Christian Brothers Investment Services			
CUIT Balanced Fund	187,728	374,081	186,353
Christian Brothers Investment Services			
CUIT Short-Term Government Bond Fund	8,195	8,509	314
	<u>\$ 285,123</u>	<u>\$ 498,378</u>	<u>\$ 213,255</u>

Reconciliation of investment income for the years ended June 30, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 12,980	\$ 10,571
Realized gains (losses)	59,261	(800)
Unrealized losses	(5,488)	(5,843)
	<u>\$ 66,753</u>	<u>\$ 3,928</u>

NOTE 4 - Endowment Funds

The Catholic Charities of the Diocese of Winona's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of Catholic Charities of the Diocese of Winona has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those

**CATHOLIC CHARITIES OF THE
DIOCESE OF WINONA
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2016 AND 2015**

NOTE 4 - Endowment Funds - Continued

amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization 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 the Organization 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 the Organization
- (7) The investment policies of the Organization

Following is a summary of the endowment net asset composition by fund type as of June 30, 2017 and 2016:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 1,500	\$ 1,500
Board-designated endowment funds	275,458	-	275,458
Total funds	\$ <u>275,458</u>	\$ <u>1,500</u>	\$ <u>276,958</u>

Permanently restricted net assets are the portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by SPMIFA.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2017 and 2016.

**CATHOLIC CHARITIES OF THE
DIOCESE OF WINONA
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2016 AND 2015**

NOTE 4 - Endowment Funds - Continued

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that emphasize the conservation of principal and preservation of purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in fixed income and equity securities. Assets will be managed and diversified in accordance with socially responsible investing guidelines, generally accepted principles of the prudent investor rule and to provide annual investment return objectives.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, Catholic Charities of the Diocese of Winona 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). The Agency targets a diversified asset allocation to achieve its long-term total return consonant with its risk tolerance.

Allocation of Earnings to Restricted and Unrestricted Assets

Earnings on restricted assets are distributed according to the intentions of the donor and are allocated to temporarily restricted funds if the donor has specified a particular purpose or to enable a passage of time. All other earnings are allocated to unrestricted funds. Currently, earnings are allocated as restricted to the Hunger Fund, and as unrestricted to the Refugee Resettlement program and general operations.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization does not have a spending policy. Endowment assets are comingled with other investments. The Organization transfers funds from investments as needed to meet current operations.

**CATHOLIC CHARITIES OF THE
DIOCESE OF WINONA
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2016 AND 2015**

NOTE 5 - Property and Equipment

Property and equipment at June 30, 2017 and 2016 are summarized by major classification as follows:

	2017	2016
Land	\$ 81,688	\$ 64,188
Office building	495,108	387,012
Automobiles	25,584	25,584
Computers and communications equipment	65,879	84,776
Furniture and fixtures	22,293	28,368
Leasehold improvements	28,843	15,773
Less: Accumulated depreciation	(218,566)	(223,545)
	<u>\$ 500,829</u>	<u>\$ 382,156</u>

NOTE 6 - Note Payable

At June 30, 2017 and 2016, note payable consisted of the following:

	2017	2016
Note payable to bank in monthly installments of \$314.74 including interest at 2.95%, matured July 2018, secured by vehicle	\$ 4,019	\$ 7,617

The scheduled maturities are as follows:

Year ending June 30, 2018	\$ <u>4,019</u>
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NOTE 7 - Commitments

Operating leases: the Agency leases office space under various noncancelable agreements which expire through October 31, 2019. The leases require various minimum annual rentals and payments for prorata share of operating expenses and increases in real estate taxes and utilities.

**CATHOLIC CHARITIES OF THE
DIOCESE OF WINONA
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2016 AND 2015**

NOTE 7 - Commitments - Continued

The total minimum commitment at June 30, 2017 is as follows:

<u>Year Ended June 30,</u>	
2018	\$ 63,076
2019	18,889
2020	5,152
	<u>\$ 87,117</u>

Rental expense was \$92,390 and \$81,952 for the years ended June 30, 2017 and 2016, respectively. Included in rental expense for the years ending June 30, 2017 and 2016 was \$6,840 and \$10,450, respectively, of in-kind rent.

NOTE 8 - Net Assets

Board designated net assets are as follows as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Contingency fund represents amount set aside to provide for a shortfall of revenues in a given year	\$ 160,000	\$ 160,000
Quasi-Endowment fund whereby the Board has designated that principal is to be maintained intact and the income from the investments of the funds may be expended for the Agency's regular operations	275,458	275,458
Subsequent fiscal year	<u>75,011</u>	<u>75,011</u>
	<u>\$ 510,469</u>	<u>\$ 510,469</u>

**CATHOLIC CHARITIES OF THE
DIOCESE OF WINONA
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2016 AND 2015**

NOTE 8 - Net Assets - Continued

Temporarily restricted net assets are restricted for the following as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Purpose Restriction:		
Hunger relief	\$ 41,529	\$ 40,726
A Call for Change	33,163	25,395
Adoption	21,082	18,930
Slebodnik - adoption	13,814	14,164
Young person services	3,902	3,902
Children's benefit	20,928	20,928
Emergency assistance	3,049	6,003
Mother Child fund	25,828	22,000
MediApps	31,021	48
Senior citizen needs	50,643	50,643
Flood recovery	77,206	1,800
Development director	25,780	53,280
Financial literacy	42,102	44,958
Onward & Upward	93,410	77,465
VITA	5,445	-
Refugee resettlement	91,997	-
Warming center	6,330	-
Project Rachel	23,725	12,800
Other	19,042	17,715
Time Restriction:		
C Bias Ministry Training	18,283	20,650
Unitrust	22,348	22,348
	<u>\$ 670,627</u>	<u>\$ 453,775</u>

Permanently restricted net assets of \$1,500 at June 30, 2017 and 2016 consist of an endowment, the income from which is expendable to support general operations.

NOTE 9 - Income Taxes

The Organization's income tax filings are subject to audit by the Internal Revenue Service or the Minnesota Department of Revenue. The Organization's open audit periods are for the years ending June 2014 through June 2017.

**CATHOLIC CHARITIES OF THE
DIOCESE OF WINONA
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2016 AND 2015**

NOTE 10 - Defined Contribution Retirement Plan

The Agency has a 403(b) defined contribution retirement plan through the Diocese of Winona covering substantially all of its employees. An employee can contribute up to \$18,000 of their gross salary annually for the calendar years 2017 and 2016. The Agency contributes 3% of gross salary for all employees. In addition, if an employee contributes to the plan, the Agency matches up to 3% of their contribution. Employer contributions totaled \$81,941 and \$75,249 for the years ended June 30, 2017 and 2016, respectively.

NOTE 11 - Fair Value Measurements

U.S. generally accepted accounting standards establish a framework for measuring fair value. The standards categorize fair value measurements, based on the priority of the inputs to the valuation technique, into a three-level hierarchy:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spreads, credit risk, etc.).

Level 3: Significant unobservable inputs (including the Organization's own assumptions in determining the fair value).

The inputs and methodology used for valuing the Organization's financial assets and liabilities are not indicators of the risks associated with those instruments.

**CATHOLIC CHARITIES OF THE
DIOCESE OF WINONA
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2017 AND 2016**

NOTE 11 - Fair Value Measurements - Continued

The fair value of financial assets measured at fair value on a recurring basis was determined using the following inputs at June 30, 2017 and 2016:

June 30, 2017			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments:			
Common stock	\$ 5,906	\$ 5,906	\$ -
Mutual funds	79,659	79,659	-
Christian Brothers Investment Services CUIT Balanced Fund	341,948	-	341,948
Christian Brothers Investment Services CUIT Short-Term Government Bond Fund	8,619	-	8,619
	<u>\$ 436,132</u>	<u>\$ 85,565</u>	<u>\$ 350,567</u>
June 30, 2016			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments:			
Common stock	\$ 28,045	\$ 28,045	\$ -
Mutual funds	87,743	87,743	-
Christian Brothers Investment Services CUIT Balanced Fund	374,081	-	374,081
Christian Brothers Investment Services CUIT Short-Term Government Bond Fund	8,509	-	8,509
	<u>\$ 498,378</u>	<u>\$ 115,788</u>	<u>\$ 382,590</u>

**CATHOLIC CHARITIES OF THE
DIOCESE OF WINONA
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2017 AND 2016**

NOTE 11 - Fair Value Measurements - Continued

Shares of common/collective trust funds are reported at fair value based on unit prices quoted by the funds, representing the fair value of the underlying investments. Marketable securities traded on a national exchange are stated at fair value based on quoted market prices.

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate fair value because of the terms and relatively short maturity of these financial instruments.

NOTE 12 - Related Party Transactions

The Bishop and Vicar General of the Diocese of Winona serve as the President and Vice President, respectively, for the Agency. The Bishop of the Diocese of Winona also appoints the Board of Directors of the Agency. The Agency had transactions with the Diocese of Winona as follows:

	June 30,	
	2017	2016
Pension	\$ 81,941	\$ 75,249
Employee benefits	183,886	174,460
Insurance	13,176	13,338
Other expenses	5,540	3,118

At June 30, 2017 and 2016, the Agency owed \$24,870 and \$16,890, respectively, to the Diocese of Winona.

The Agency receives both program specific and general support in the form of grants from the Diocese of Winona. The total support received for the years ending June 30, 2017 and 2016 was \$266,528 and \$197,076, respectively.

NOTE 13 - Beneficial Interest in Trusts

The Agency is a 6.67% beneficiary in two Charitable Remainder Unitrusts administered by a bank. The Agency's interest in the trusts is not recorded in the financial statements because the Trustee may make distributions from principal for charitable, religious, scientific, literary or educational purposes. Thus, the future distributions are not guaranteed. Also, the trusts shall terminate if the Trustee determines that the continued administration of the trusts could be unduly burdensome or expensive to the beneficiaries. Distributions received from the trusts are accounted for as revenue in unrestricted net income, as income can be used to fund the Agency's daily operations. For the years ended June 30, 2017 and 2016, \$17,341 and \$14,146 of income were derived from the trusts, respectively, and are included in bequests. At June 30, 2017 and 2016, the Agency's 6.67% share of the fair market value of the trusts' assets was \$378,612 and \$356,155, respectively.

**CATHOLIC CHARITIES OF THE
DIOCESE OF WINONA
NOTES TO FINANCIAL STATEMENTS - Continued
JUNE 30, 2017 AND 2016**

NOTE 13 - Beneficial Interest in Trusts - Continued

In addition, the Winona Diocesan Council of Catholic Women on April 5, 2017 established an endowment fund with the Catholic Foundation of Southern Minnesota. The exclusive purpose of the fund is to operate as an endowment for the benefit of Catholic Charities of the Diocese of Winona. The fund's principal is \$86,248. Catholic Charities may determine the timing of withdrawals from the accumulated investment earnings of the fund. At June 30, 2017 the balance of the fund was \$88,468.

NOTE 14 -Concentration of Credit Risk

Financial instruments that potentially subject the Agency to concentrations of credit risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At June 30, 2016, the Agency had approximately \$261,000 in excess of FDIC insured limits. At June 30, 2017, the Agency did not have any deposits in excess of FDIC insured limits.

NOTE 15 - Subsequent Events

Subsequent events were evaluated through October 30, 2017, which is the date the financial statements were available to be issued.

NOTE 16 - Litigation

The Agency is a co-defendant in three personal injury lawsuits. The Agency plans to vigorously defend these matters. The ultimate outcome of this litigation cannot presently be determined. The Agency could be required to pay damages to the extent the claims are not covered by insurance. Accordingly, adjustments, if any, which might result from the resolution of these matters have not been reflected in the financial statements.

CATHOLIC CHARITIES OF THE DIOCESE OF WINONA
SCHEDULES OF REVENUE AND OTHER SUPPORT

	YEARS ENDED JUNE 30,	
	2017	2016
Catholic Charities Annual Appeal:		
2015	\$ -	\$ 22,312
2016	17,467	127,794
2017	96,301	-
Spirit Circle	164,833	128,020
	<u>\$ 278,601</u>	<u>\$ 278,126</u>
Diocese of Winona:		
General support	\$ 112,279	\$ 110,179
Program Specific Support:		
Emergency services	90,989	20,000
Project Rachel	1,597	3,004
Immigration legal services	-	16,337
Refugee resettlement	20,000	-
Parish social ministry	41,663	47,556
	<u>\$ 266,528</u>	<u>\$ 197,076</u>
United Way Campaigns:		
Specific Care Allocations:		
Olmsted County	\$ 21,689	\$ 16,164
Other Counties	1,218	210
Grant Allocations:		
Olmsted County	37,500	40,000
Greater Mankato Area	7,850	5,792
Freeborn County	9,128	7,076
Mower County	-	3,154
Worthington Area	4,500	4,500
Greater Winona Area	45,983	20,000
Dodge County	4,000	4,000
Waseca County	-	2,000
	<u>\$ 131,868</u>	<u>\$ 102,896</u>
Program Fees:		
Adoption	\$ 50,790	\$ 57,604
Counseling	237,879	223,432
Guardian & Conservator Services	111,020	114,493
Parish and Community Social Action	310	770
Refugee Resettlement & Immigration Legal Services	1,610	1,245
Common Good Retired & Senior Volunteer Program	11,260	820
Miscellaneous	-	9
	<u>\$ 412,869</u>	<u>\$ 398,373</u>