

# **Catholic Charities of Northeast Kansas, Inc. and Subsidiary**

Consolidated Financial Report  
June 30, 2021

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RSM US LLP

## Independent Auditor's Report

Audit Committee  
Catholic Charities of Northeast Kansas, Inc.  
and Subsidiary

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Catholic Charities of Northeast Kansas, Inc. and Subsidiary, which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, the related consolidated statements of activities, program and supporting services expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Catholic Charities of Northeast Kansas, Inc. and Subsidiary as of June 30, 2021 and 2020, 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2021, on our consideration of Catholic Charities of Northeast Kansas, Inc. and Subsidiary's internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Catholic Charities of Northeast Kansas, Inc. and Subsidiary's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Catholic Charities of Northeast Kansas, Inc. and Subsidiary's internal control over financial reporting and compliance.

*RSM US LLP*

Kansas City, Missouri  
October 20, 2021

**Catholic Charities of Northeast Kansas, Inc. and Subsidiary**

**Consolidated Statements of Financial Position  
June 30, 2021 and 2020**

	2021	2020
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 3,662,249	\$ 5,065,459
Promises to give—United Way funding for the next fiscal year	190,948	269,117
Grants receivable	333,292	189,733
Accounts receivable:		
Program fees, less allowance for doubtful accounts of \$25,020 and \$33,885, respectively	610,245	660,624
Inventories	361,274	262,312
Due from related parties	117,535	871,314
Prepaid expenses	154,289	107,775
<b>Total current assets</b>	<b>5,429,832</b>	<b>7,426,334</b>
Restricted certificates of deposit	284,861	278,616
Investments	487,959	-
Interest in net assets of the Catholic Charities Foundation of Northeast Kansas, Inc.	11,644,356	7,367,544
Property and equipment:		
Land	113,972	113,972
Building	1,696,297	1,612,277
Furniture and equipment	926,033	894,594
Building and leasehold improvements	1,454,667	2,113,803
Vehicles	580,700	637,554
Art and collectibles	4,244	4,244
Construction in progress	35,730	146,644
	4,811,643	5,523,088
Less accumulated depreciation and amortization	3,168,147	3,691,535
	1,643,496	1,831,553
<b>Total assets</b>	<b>\$ 19,490,504</b>	<b>\$ 16,904,047</b>

See notes to consolidated financial statements.

	2021	2020
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 408,381	\$ 325,038
Accrued expenses	1,155,558	1,377,283
Deferred revenue	76,742	1,982,772
<b>Total liabilities</b>	<b>1,640,681</b>	<b>3,685,093</b>
Commitments and contingencies (Notes 6 and 7)		
Net assets:		
Without donor restrictions:		
Undesignated	3,936,973	3,651,513
Undesignated—Foundation	6,439,890	4,060,712
Designated—Foundation	2,563,196	989,501
<b>Total net assets without donor restrictions</b>	<b>12,940,059</b>	<b>8,701,726</b>
With donor restrictions:		
Other	2,133,605	2,065,008
Foundation	2,641,270	2,317,331
Endowments	134,889	134,889
<b>Total net assets with donor restrictions</b>	<b>4,909,764</b>	<b>4,517,228</b>
<b>Total net assets</b>	<b>17,849,823</b>	<b>13,218,954</b>
<b>Total liabilities and net assets</b>	<b>\$ 19,490,504</b>	<b>\$ 16,904,047</b>

**Catholic Charities of Northeast Kansas, Inc. and Subsidiary**

**Consolidated Statement of Activities  
Year Ended June 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and revenue:</b>			
Contributions	\$ 2,881,793	\$ -	\$ 2,881,793
Contributed goods	7,794,251	-	7,794,251
United Way	238,239	190,948	429,187
Grants	5,491,953	2,147,933	7,639,886
Program service fees, net of contractual adjustments of \$1,605 and bad-debt expense of \$45,732	6,215,700	-	6,215,700
Interest	85,103	-	85,103
Other revenues	34,153	-	34,153
Net assets released from restrictions	2,270,284	(2,270,284)	-
<b>Total support and revenue</b>	<b>25,011,476</b>	<b>68,597</b>	<b>25,080,073</b>
<b>Expenses:</b>			
<b>Program services:</b>			
Family Support	11,463,987	-	11,463,987
Respect Life	812,016	-	812,016
Asset Development	535,372	-	535,372
Hospice	4,305,651	-	4,305,651
Workforce	2,075,009	-	2,075,009
Supply Chain	957,279	-	957,279
Community Engagement	792,544	-	792,544
Thrift stores	1,570,385	-	1,570,385
<b>Supporting services:</b>			
Management and general, net of management fee reimbursements of \$740,617	1,590,331	-	1,590,331
Fundraising	623,442	-	623,442
<b>Total expenses</b>	<b>24,726,016</b>	<b>-</b>	<b>24,726,016</b>
<b>Change in net assets from operations</b>	<b>285,460</b>	<b>68,597</b>	<b>354,057</b>
Change in interest in net assets of the Foundation	3,952,873	323,939	4,276,812
<b>Change in net assets</b>	<b>4,238,333</b>	<b>392,536</b>	<b>4,630,869</b>
<b>Net assets:</b>			
Beginning	8,701,726	4,517,228	13,218,954
Ending	\$ 12,940,059	\$ 4,909,764	\$ 17,849,823

See notes to consolidated financial statements.

**Catholic Charities of Northeast Kansas, Inc. and Subsidiary**

**Consolidated Statement of Activities  
Year Ended June 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and revenue:</b>			
Contributions	\$ 2,463,338	\$ 3,106	\$ 2,466,444
Contributed goods	8,887,026	-	8,887,026
United Way	242,896	269,117	512,013
Grants	4,988,479	2,033,093	7,021,572
Program service fees, net of contractual adjustments of \$123 and bad-debt expense of \$27,196	6,721,727	-	6,721,727
Interest	23,925	-	23,925
Other revenues	33,802	-	33,802
Net assets released from restrictions	1,150,708	(1,150,708)	-
<b>Total support and revenue</b>	<b>24,511,901</b>	<b>1,154,608</b>	<b>25,666,509</b>
<b>Expenses:</b>			
<b>Program services:</b>			
Family support	11,620,430	-	11,620,430
Respect Life	1,135,060	-	1,135,060
Asset Development	693,338	-	693,338
Hospice	4,684,277	-	4,684,277
Workforce	2,162,649	-	2,162,649
Supply Chain	894,986	-	894,986
Thrift stores	1,540,130	-	1,540,130
<b>Supporting services:</b>			
Management and general, net of management fee reimbursements of \$770,964	1,691,438	-	1,691,438
Fundraising	547,314	-	547,314
<b>Total expenses</b>	<b>24,969,622</b>	<b>-</b>	<b>24,969,622</b>
<b>Change in net assets from operations</b>	<b>(457,721)</b>	<b>1,154,608</b>	<b>696,887</b>
Change in interest in net assets of the Foundation	606,758	(27,826)	578,932
<b>Change in net assets</b>	<b>149,037</b>	<b>1,126,782</b>	<b>1,275,819</b>
<b>Net assets:</b>			
Beginning	8,552,689	3,390,446	11,943,135
Ending	\$ 8,701,726	\$ 4,517,228	\$ 13,218,954

See notes to consolidated financial statements.

**Catholic Charities of Northeast Kansas, Inc. and Subsidiary**

**Consolidated Statement of Program and Supporting Services Expenses  
Year Ended June 30, 2021**

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Compensation	\$ 6,341,244	\$ 877,032	\$ 426,827	\$ 7,645,103
Employee benefits	769,661	124,314	61,361	955,336
Payroll taxes	427,748	62,941	29,841	520,530
<b>Total compensation and related expenses</b>	<b>7,538,653</b>	<b>1,064,287</b>	<b>518,029</b>	<b>9,120,969</b>
Assistance to individuals	3,051,726	-	-	3,051,726
Assistance—Care contracts	1,010,080	-	-	1,010,080
Continuing education	13,058	8,670	437	22,165
Contributed goods	7,668,847	-	-	7,668,847
Contract services	549,816	134,039	4,670	688,525
Depreciation	237,194	32,096	803	270,093
Dues and subscriptions	34,418	5,540	3,782	43,740
Insurance	46,220	25,495	110	71,825
Occupancy	905,712	111,402	32,102	1,049,216
Postage	23,204	4,316	4,776	32,296
Printing and public relations	50,610	3,930	29,232	83,772
Professional services	46,407	50,903	2,061	99,371
Rental and maintenance equipment	141,151	5,063	932	147,146
Supplies	565,463	36,597	9,503	611,563
Telephone	179,698	18,572	7,966	206,236
Mileage reimbursement and other travel	151,147	6,786	4,749	162,682
Miscellaneous	185,702	74,886	899	261,487
Vehicle	60,601	6,330	3,093	70,024
Volunteer	52,536	1,419	298	54,253
<b>Total</b>	<b>\$ 22,512,243</b>	<b>\$ 1,590,331</b>	<b>\$ 623,442</b>	<b>\$ 24,726,016</b>

See notes to consolidated financial statements.

**Catholic Charities of Northeast Kansas, Inc. and Subsidiary**

**Consolidated Statement of Program and Supporting Services Expenses  
Year Ended June 30, 2020**

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Compensation	\$ 6,752,934	\$ 1,026,223	\$ 361,065	\$ 8,140,222
Employee benefits	865,605	137,490	57,860	1,060,955
Payroll taxes	469,660	74,369	26,815	570,844
<b>Total compensation and related expenses</b>	<b>8,088,199</b>	<b>1,238,082</b>	<b>445,740</b>	<b>9,772,021</b>
Assistance to individuals	1,717,978	-	-	1,717,978
Assistance—Care contracts	935,268	-	-	935,268
Continuing education	23,217	5,744	220	29,181
Contributed goods	8,854,745	-	-	8,854,745
Contract services	477,957	113,335	3,635	594,927
Depreciation	252,427	29,822	1,020	283,269
Dues and subscriptions	24,330	11,561	4,591	40,482
Insurance	40,914	28,566	95	69,575
Occupancy	1,027,360	112,908	31,557	1,171,825
Postage	27,669	3,711	2,296	33,676
Printing and public relations	48,249	3,876	29,896	82,021
Professional services	71,225	64,524	831	136,580
Rental and maintenance equipment	179,347	4,866	2,626	186,839
Supplies	414,840	15,036	8,388	438,264
Telephone	190,536	20,163	7,615	218,314
Mileage reimbursement and other travel	193,491	6,525	4,394	204,410
Miscellaneous	73,120	25,810	1,860	100,790
Vehicle	68,353	5,781	2,363	76,497
Volunteer	21,645	1,128	187	22,960
<b>Total</b>	<b>\$ 22,730,870</b>	<b>\$ 1,691,438</b>	<b>\$ 547,314</b>	<b>\$ 24,969,622</b>

See notes to consolidated financial statements.

**Catholic Charities of Northeast Kansas, Inc. and Subsidiary**

**Consolidated Statements of Cash Flows  
Years Ended June 30, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
Cash flows from operating activities:		
Change in net assets	\$ 4,630,869	\$ 1,275,819
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	270,093	284,824
Loss on disposal of assets	111,715	-
Change in interest in net assets of the Foundation	(4,276,812)	(578,932)
Net unrealized and realized gain on investments	(37,959)	-
(Increase) decrease in operating assets:		
United Way funding for the next fiscal year	78,169	97,738
Inventories	(98,962)	(5,747)
Grants receivable	(143,559)	(37,776)
Accounts receivable	50,379	645,682
Prepaid expenses	(46,514)	(21,484)
Restricted certificates of deposit	(6,245)	-
Due from related parties	753,779	(558,026)
Increase (decrease) in operating liabilities:		
Accounts payable	83,343	(95,653)
Accrued expenses	(221,725)	340,716
Deferred revenue	(1,906,030)	1,828,931
<b>Net cash (used in) provided by operating activities</b>	<b>(759,459)</b>	<b>3,176,092</b>
Cash flows from investing activities:		
Purchases of property and equipment	(193,751)	(328,892)
Purchases of investments	(450,000)	-
<b>Net cash used in investing activities</b>	<b>(643,751)</b>	<b>(328,892)</b>
<b>(Decrease) increase in cash and cash equivalents</b>	<b>(1,403,210)</b>	<b>2,847,200</b>
Cash and cash equivalents:		
Beginning	5,065,459	2,218,259
Ending	<b>\$ 3,662,249</b>	<b>\$ 5,065,459</b>

See notes to consolidated financial statements.

## Catholic Charities of Northeast Kansas, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Organization and Significant Accounting Policies

**Nature of organization:** Catholic Charities of Northeast Kansas, Inc. and Subsidiary (the Organization) is a health and social service agency providing help, hope and hospitality to people of all faiths in 21 counties of northeast Kansas.

The Organization is partially supported by Catholic Charities Foundation of Northeast Kansas, Inc. (the Foundation). The accompanying consolidated financial statements (collectively, the financial statements) include the Organization's interest in the net assets of the Foundation. The Foundation was established to support the Organization. The Organization provides management services to the Foundation under a management agreement. Grants are made annually to the Organization as determined by the Foundation's Board of Trustees.

The following is a summary of the Organization's significant accounting policies:

**Principles of consolidation:** The financial statements include the accounts of Catholic Charities of Northeast Kansas, Inc. and its wholly owned subsidiary, Catholic Neighborhood Outreach, Inc. All significant interagency transactions and accounts are eliminated in consolidation.

**Basis of presentation:** The accompanying financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

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

**Net assets without donor restrictions:** Net assets are not subject to donor-imposed stipulations.

**Net assets with donor restrictions:** Net assets are subject to donor-imposed stipulations that may expire or may be met either by actions of the Organization or the passage of time.

**Contributions:** Gifts of cash and other assets are presented as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Gifts of land, building and equipment are presented as without donor restriction unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the 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 long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the asset is donated or as assets are acquired.

Gifts of materials and property are recorded as contributions at their estimated fair value at the date of donation. Such gifts are reported without donor restriction unless the donor has restricted the donated asset to a specific purpose. No amounts have been reflected in the financial statements for donated services. The Organization pays for most services requiring specific expertise. However, many individuals volunteer their time to perform a variety of tasks.

## Catholic Charities of Northeast Kansas, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized.

Conditional promises to give with a measurable performance barrier or other barrier and right of return or release of funds are recognized when the conditions on which they depend are substantially met. There were no conditional pledges at June 30, 2021 and 2020.

**Net program service fees:** Net program service fees represent the estimated net realizable amounts from patients, third-party payors, and others for services rendered and are reported at the estimated net realizable amounts. A summary of the payment arrangements with major third-party payors follows:

**Medicare:** Services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors.

**Medicaid:** Services rendered to Medicaid program beneficiaries are reimbursed under a predetermined reimbursement fee.

The Organization also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Organization under these agreements includes prospectively determined rates per discharge and discounts from established rates.

At times, the Organization provides medical care without charge, or at a reduced cost, to residents of its community, primarily through (1) services provided at no charge to the uninsured and (2) no charge for the difference between public program payments (primarily Medicare and Medicaid) and the related costs of providing such services.

**Use of estimates:** The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and cash equivalents:** Cash and cash equivalents consist of cash on hand or deposits of all highly liquid investments that are unrestricted with an initial maturity of three months or less.

**Promises to give:** Pledges receivable are recognized as contributions revenue in the period that the unconditional promise to give is made and as assets, decreases of liabilities, or expenses, depending on the form of the benefits received. No allowance has been recorded on the books, as pledges receivable are expected to be collected in full. Conditional promises to give with a measurable performance barrier or other barrier and right of return or release of funds are recognized when the conditions on which they depend are substantially met.

**Accounts receivable and net patient service revenue:** Program fee receivables due directly from the patients are carried at the original charge for the service provided less amounts covered by third-party payors and less an estimated allowance for doubtful receivables.

## Catholic Charities of Northeast Kansas, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

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#### **Note 1. Nature of Organization and Significant Accounting Policies (Continued)**

Management determines the allowance for doubtful accounts by identifying troubled accounts, by historical experience applied to an aging of accounts, and by considering the patient's financial history and credit history and current economic conditions. The Organization does not charge interest on patient receivables. Patient receivables are written off as provision for bad debt when deemed uncollectible. Recoveries of receivables previously written off are recorded as a reduction of the provision for bad debt when received.

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Net patient service revenue is reported net of the provision for bad debts.

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectibility of accounts receivable, the Organization analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Organization analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary. For receivables associated with self-pay patients, the Organization records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible.

Uncollected accounts amounting to \$46,078 and \$30,747 were written off against the existing allowance during the years ended June 30, 2021 and 2020, respectively.

**Certificates of deposit:** Certificates of deposit have original maturities greater than one year and are reported at fair value based on quoted market prices for those or similar investments. The certificates of deposit are restricted for collateral for the Kansas Loan Pool Project of Northeast Kansas.

**Investments:** Investments consist of assets that are held as endowments with the Catholic Foundation of Northeast Kansas (CFNEK). These are recorded at the fair value of the underlying assets in the endowments.

**Interest in net assets of Catholic Charities Foundation of Northeast Kansas, Inc.:** The interest in net assets held by Catholic Charities Foundation of Northeast Kansas, Inc. is recorded similar to the equity method of accounting.

## Catholic Charities of Northeast Kansas, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Organization and Significant Accounting Policies (Continued)

**Property and equipment:** Acquisitions of property and equipment are capitalized at cost. Major improvements or additions to these items are capitalized, while minor improvements and maintenance are charged against current operations. In accordance with grant awards, the Kansas Department of Transportation has a lien against certain vehicles owned by the Organization, whereby those vehicles will revert to the Kansas Department of Transportation in the event the program is discontinued. Depreciation is provided using the straight-line method over the shorter of the useful lives of the assets or the lease term. The estimated useful lives of the assets are as follows:

	<u>Years</u>
Building	40
Furniture and equipment	5-10
Building and leasehold improvements	10-20
Vehicles	5

**Grant revenue and deferred revenue:** Grants are recorded as revenue when the related services or requirements have been performed.

Deferred revenue includes grants where cash has been received in advance of related expenditures and achievement of specific contractual requirements is required for revenue recognition.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law and is meant to address the economic fallout from the COVID-19 pandemic. In connection with the CARES Act, the Organization received a Small Business Administration (SBA) Paycheck Protection Plan (PPP) loan for \$1,874,936 on April 11, 2020. The Organization determined they qualified for the PPP loan because the Organization has less than 500 employees. The loan is unsecured, bears interest at 1.00%, and matures on April 11, 2022. Under the provisions of the CARES Act and related loans, this loan will be forgiven if certain conditions are met related to the use of the proceeds and maintenance of employment with the Organization employees. As of June 30, 2020, the Organization elected to account for the loan as a conditional grant in accordance with ASC Subtopic 958-605, Revenue Recognition—Contributions, and the balance was recorded in deferred revenue as not all conditions had been met as of June 30, 2020. During fiscal 2021, the loan was forgiven in full and the amount is included in grant revenue in the consolidated statement of activities for the year ended June 30, 2021.

**Functional allocation of expenses:** The costs of providing the various programs and other activities of the Organization have been summarized on a functional basis in the consolidated statements of program and supporting services expenses. Accordingly, certain costs have been allocated among the programs and the supporting services benefited.

**Income tax status:** The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. In addition, the Organization qualifies for the charitable contribution deduction under section 170(c)(2)(B) and has been classified as an organization that is not a private foundation. Uncertain tax positions, if any, are recorded in accordance with Accounting Standards Codification (ASC) Topic 740, Income Taxes, which requires the recognition of a liability for tax positions taken that do not meet the more-likely-than-not standard that the position will be sustained upon examination by the taxing authorities. There is no liability for uncertain tax positions recorded at June 30, 2021 or 2020.

**Fundraising costs:** Fundraising costs are expensed as incurred and are included as a component of supporting services on the consolidated statements of activities.

## Catholic Charities of Northeast Kansas, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Organization and Significant Accounting Policies (Continued)

**Concentration of credit risk:** The Organization occasionally maintains cash balances in excess of federally insured amounts. The Organization has not experienced any losses in such accounts.

Primarily all of the Organization's patients and program recipients reside in the northeastern region of Kansas. A majority of the billings associated with the health care services provided are submitted to third-party insurers and Medicare. Total revenues recognized by program services, less discounts, comprised approximately 25% and 26% of the Organization's revenue sources for the years ended June 30, 2021 and 2020, respectively.

**Reclassifications:** For the year ending June 30, 2020, certain amounts on the statement of financial position were reclassified with no impact to total net assets with or without restriction to be consistent with current year presentation.

**Newly adopted accounting standard:** Effective July 1, 2020 the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. Revenue generated from contracts with customers consist of program service fees for its patient services. These fees are recognized at a point in time when the service is rendered which is consistent with previous revenue recognition guidance. Therefore, the adoption of this standard had no impact on the Organization's consolidated financial statements.

**Recent accounting pronouncement:** In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases (Topic 842)*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective-interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The ASU is expected to impact the Organization's financial statements as the Organization has certain operating and land lease arrangements for which it is the lessee. The standard will be effective for the Organization beginning with the fiscal year ending June 30, 2023, with early adoption permitted. The Organization is in the process of evaluating the impact of this new guidance.

## Catholic Charities of Northeast Kansas, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

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#### Note 2. Liquidity and Availability of Resources

The Organization regularly monitors liquidity to meet its annual operating needs and other commitments while also striving to maximize the return on investment of its funds not required for annual operations. As of June 30, 2021 and 2020, the following financial assets are available to meet annual operating needs of the upcoming 2022 and 2021 fiscal years:

	2021	2020
Financial assets at year-end:		
Cash and cash equivalents	\$ 3,662,249	\$ 5,065,459
Promises to give—United Way	190,948	269,117
Grant receivable	333,292	189,733
Accounts receivable, net	610,245	660,624
Due from related parties	117,535	871,314
Prepaid expenses	154,289	107,775
Inventories	361,274	262,312
Restricted certificates of deposit	284,861	278,616
Investments	487,959	-
Interest in net assets of Catholic Charities Foundation of Northeast Kansas, Inc.	11,644,356	7,367,544
Total financial assets	<u>17,847,008</u>	<u>15,072,494</u>
Less amounts not available to be used within one year:		
Prepaid expenses	154,289	107,775
Inventories	361,274	262,312
Restricted certificates of deposit	284,861	278,616
	<u>800,424</u>	<u>648,703</u>
Contractual or donor-imposed restrictions:		
Designated—Foundation	2,563,196	606,758
Restriction by donor with time or purpose restriction	4,774,875	4,382,339
Endowment	134,889	134,889
Total contractual or donor-imposed restrictions	<u>7,472,960</u>	<u>5,123,986</u>
Financial assets not available to be used within one year	<u>8,273,384</u>	<u>5,772,689</u>
Financial assets available to meet general expenditures within one year	<u>\$ 9,573,624</u>	<u>\$ 9,299,805</u>

The Organization's governing board has established certain metrics as a guide for determining appropriate cash and working capital levels; maintaining three weeks' worth of operating expenses in cash and short-term investments, and maintaining one month's worth of operating expenses in working capital. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents and investments.

## Catholic Charities of Northeast Kansas, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

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#### Note 3. Promises to Give and Grants Receivable

The amount due from the United Way pledges and grants receivable consists of the following as of June 30, 2021 and 2020:

	2021	2020
United Way allocation for the next fiscal year:		
General allocation	\$ 82,214	\$ 95,514
Donor designations	108,734	173,603
	<u>190,948</u>	<u>269,117</u>
Grants receivable	333,292	189,733
	<u>\$ 524,240</u>	<u>\$ 458,850</u>

#### Note 4. Fair Value Measurements

The Organization has adopted the provisions of ASC Topic 820, Fair Value Measurements and Disclosures, for assets and liabilities measured and reported at fair value. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. ASC 820 requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Inputs to valuation techniques refer to the assumptions market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, ASC 820 establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

**Level 1:** Quoted prices (unadjusted) for identical assets or liabilities in active markets that the Organization has the ability to access as of the measurement date

**Level 2:** Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data

**Level 3:** Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability

A description of the valuation methodologies used for assets measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

The Organization's investments consist of an interest in net assets of CFNEK and are an investment in the funds held by CFNEK. CFNEK's investments are classified as Level 1 and Level 3; however, Level 3 investments held at CFNEK are classified as alternative investments.

## Catholic Charities of Northeast Kansas, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

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#### Note 4. Fair Value Measurements (Continued)

Because the Organization's investment is in CFNEK, not individual investments, all of the Organization's investment in CFNEK is classified as Level 3. CFNEK values its individual securities as follows: where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities would include highly liquid government bonds and exchange-traded equities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flow. Level 2 securities would include U.S. agency securities, mortgage-based agency securities, and certain corporate, asset-backed securities and other securities. In certain cases where there is limited activity or less transparency around inputs to the valuation, including alternative investments, securities are classified within Level 3 of the valuation hierarchy.

CFNEK's portfolio includes conservative, moderately conservative, moderately aggressive, and diversified pooled investment funds. The Organization receives a proportionate share of the net appreciation/depreciation of that fund.

The following table summarizes applicable assets measured at fair value on a recurring basis as of June 30, 2021, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	Total	Level 1	Level 2	Level 3
June 30, 2021:				
Investments	\$ 487,959	\$ -	\$ -	\$ 487,959

The following table presents additional information about assets measured at fair value on a recurring basis when the Organization has utilized Level 3 inputs to determine fair value:

	2021
Beginning balance	\$ -
Realized and unrealized gain	37,959
Additions	450,000
Withdrawals	-
Ending balance	<u>\$ -</u>

There were no assets measured within the fair value hierarchy as of June 30, 2020.

#### Note 5. Related Parties

The members of the Organization are the Archbishop, the Chancellor and all Vicars General of the Archdiocese of Kansas City in Kansas.

Included in contributions are contributions from individuals received through the Archbishop's Annual Appeal, amounting to \$400,000 and \$430,000 for years ended June 30, 2021 and 2020, respectively, and through church Christmas collections, amounting to \$505,667 and \$491,567 for the years ended June 30, 2021 and 2020, respectively.

The Organization paid the Archdiocese of Kansas City in Kansas premium expense for dental, health and life insurance of \$751,160 and \$847,942 for the years ended June 30, 2021 and 2020, respectively.

## Catholic Charities of Northeast Kansas, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

#### Note 5. Related Parties (Continued)

As described in Note 1, the Organization is supported by Catholic Charities Foundation of Northeast Kansas, Inc. Grant revenue from the Foundation was \$-0- and \$2,000,000 for the years ended June 30, 2021 and 2020, respectively. The Organization also had receivables of \$117,535 and \$869,571 recorded for amounts due from the Foundation as of June 30, 2021 and 2020, respectively. Condensed financial data of the Foundation as of and for the years ended June 30, 2021 and 2020, is as follows:

	June 30	
	2021	2020
Assets:		
Cash	\$ 4,101,088	\$ 4,286,256
Other current assets	39,636	36,555
Investments, at fair value	9,147,318	4,406,603
Total assets	<u>\$ 13,288,042</u>	<u>\$ 8,729,414</u>
Total liabilities	<u>\$ 1,643,686</u>	<u>\$ 1,361,870</u>
Net assets:		
Without donor restrictions:		
Undesignated	6,439,890	4,060,712
Designated	2,563,196	989,501
With donor restrictions	2,641,270	2,317,331
Total net assets	<u>11,644,356</u>	<u>7,367,544</u>
Total liabilities and net assets	<u>\$ 13,288,042</u>	<u>\$ 8,729,414</u>
	2021	2020
Contributions and contributed goods	\$ 4,012,672	\$ 3,266,919
Interest income	27,888	130,467
Change in value of split-interest agreement	1,022,826	571,255
Other revenue	2,955	(569,486)
Operating expenses	(789,529)	(2,820,223)
Change in net assets	<u>\$ 4,276,812</u>	<u>\$ 578,932</u>

Net assets with donor restrictions are restricted for program support and educational loans to employees. The income on the net assets with donor restrictions is without donor restriction.

#### Note 6. Retirement Plan

The Organization has a defined contribution plan for all full-time employees with at least three years of service. Under the plan, the Organization may elect to make discretionary contributions up to 5% of the eligible employee's salary to an insurance company to be invested in a tax-sheltered annuity. Employees are eligible to make voluntary contributions up to certain amounts as stated in the plan document. Employer retirement contributions for the years ended June 30, 2021 and 2020, amounted to \$166,101 and \$182,370, respectively.

## Catholic Charities of Northeast Kansas, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

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#### Note 7. Lease Commitments and Expense

The Organization leases offices for its programs and administrative services under lease agreements that expire at various times through March 31, 2027. The Organization is responsible under certain of the agreements for maintenance, insurance and taxes.

Rental expense related to these lease commitments for the years ended June 30, 2021 and 2020, totaled \$750,052 and \$828,229, respectively. The amounts include approximately \$50,000 in annual rentals to other organizations of the Archdiocese of Kansas City in Kansas under month-to-month lease arrangements.

Following is a schedule of future minimum annual rental commitments required under the operating leases at June 30, 2021:

Years ending June 30:	
2022	\$ 1,042,809
2023	902,833
2024	737,171
2025	737,171
2026	359,171
Thereafter	269,378
	<u>\$ 4,048,533</u>

#### Note 8. Contingencies

The Organization receives certain revenue from government grants and contracts. These grants and contracts are subject to audit by the grantor agency. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to and audited by the government and, until such audits have been completed and final settlement reached, there exists a contingency to refund any amount received in excess of allowable costs. The Organization believes that no liability will result from such audits.

The spread of COVID-19, a novel strain of coronavirus, has altered the behavior of businesses and people throughout the United States. Further, financial markets have experienced significant volatility attributed to COVID-19 concerns. The continued spread of COVID-19 may adversely impact the local, regional and national economies. The extent to which COVID-19 impacts the Organization's results will depend on future developments, which are highly uncertain and cannot be predicted. The impact is highly dependent on the breadth and duration of the outbreak, and could be affected by other factors that cannot currently be predicted. Accordingly, management cannot presently estimate the overall operational and financial impact to the Organization, but such an impact could have a material adverse effect on the financial condition of the Organization.

## Catholic Charities of Northeast Kansas, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

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#### Note 9. Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes or periods at June 30, 2021 and 2020:

	2021	2020
Time restrictions:		
Education loans to employees	\$ 23,469	\$ 23,469
Time restriction on promises to give	190,948	269,116
Restrictions as to use:		
Organizational support	494,794	494,794
Program support	1,942,657	1,795,892
Indefinitely restricted	2,123,007	1,799,068
Program restricted	134,889	134,889
Total net assets with donor restrictions	<u>\$ 4,909,764</u>	<u>\$ 4,517,228</u>

#### Note 10. Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose specified by donors during the years ended June 30, 2021 and 2020, as follows:

	2021	2020
Time restrictions on promises to give	\$ 269,117	\$ 366,856
Program support and general operations	2,001,167	783,852
	<u>\$ 2,270,284</u>	<u>\$ 1,150,708</u>

#### Note 11. Malpractice Claims

The Organization purchases professional and general liability insurance to cover malpractice claims with no deductible and a claim limitation of \$10,000,000, which the Organization has not exceeded during the years ended June 30, 2021, 2020 or 2019.

## Catholic Charities of Northeast Kansas, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

#### Note 12. Functional Expense Allocation

The Organization classified expenses for the year ended June 30, 2021, as follows:

	Program Services								Supporting Services		Total
	Family Support	Respect Life	Asset Development	Hospice	Workforce	Supply Chain	Community Engagement	Thrift Stores	Fund Raising	Management and General	
Salaries	\$ 1,300,958	\$ 339,464	\$ 328,565	\$ 2,162,130	\$ 1,180,881	\$ 269,285	\$ 193,355	\$ 566,606	\$ 426,827	\$ 877,032	\$ 7,645,103
Payroll taxes	91,780	25,700	19,314	142,348	75,014	18,135	15,014	40,443	29,841	62,941	520,530
Benefits	103,382	57,943	22,719	324,734	148,271	34,482	15,907	62,223	61,361	124,314	955,336
Contract services	86,018	8,995	6,217	210,709	132,359	27,630	865	77,023	4,670	134,039	688,525
Assistance to individuals	2,205,745	6,265	103,438	-	239,810	105,158	391,310	-	-	-	3,051,726
Assistance—Care contracts	-	193,298	-	816,782	-	-	-	-	-	-	1,010,080
Contributed goods	7,136,787	51,651	-	-	24,234	319,397	114,577	22,201	-	-	7,668,847
Professional services	7,262	5,984	986	17,702	5,882	872	934	6,785	2,061	50,903	99,371
Occupancy	213,835	27,379	6,564	50,884	9,350	33,449	6,786	557,465	32,102	111,402	1,049,216
Depreciation	84,029	2,262	4,201	2,499	30,002	58,409	19,366	36,426	803	32,096	270,093
Insurance	2,120	126	145	9,249	15,919	11,880	3,623	3,158	110	25,495	71,825
Rental and maintenance equipment	9,878	2,019	201	120,646	4,188	2,750	173	1,296	932	5,063	147,146
Telephone	34,041	7,450	10,057	48,771	36,850	8,450	8,225	25,854	7,966	18,572	206,236
Supplies	116,765	21,799	8,933	234,243	91,001	29,503	4,384	58,835	9,503	36,597	611,563
Printing and public relations	6,557	1,335	1,868	26,073	3,841	1,088	3,297	6,551	29,232	3,930	83,772
Postage	870	1,997	1,284	1,639	5,704	1,023	89	10,598	4,776	4,316	32,296
Mileage reimbursement and other travel	12,590	6,625	11,037	99,493	9,402	3,119	6,521	2,360	4,749	6,786	162,682
Vehicle	1,186	2,629	239	4,579	6,788	31,925	5,167	8,088	3,093	6,330	70,024
Continuing education	660	233	422	6,521	4,986	2	63	171	437	8,670	22,165
Dues and subscriptions	13,494	790	3,112	3,580	8,445	7	1,725	3,265	3,782	5,540	43,740
Volunteer expense	2,478	40,489	1,692	2,197	1,922	543	168	3,047	298	1,419	54,253
Miscellaneous	33,552	7,583	4,378	20,872	40,160	172	995	77,990	899	74,886	261,487
	<u>\$ 11,463,987</u>	<u>\$ 812,016</u>	<u>\$ 535,372</u>	<u>\$ 4,305,651</u>	<u>\$ 2,075,009</u>	<u>\$ 957,279</u>	<u>\$ 792,544</u>	<u>\$ 1,570,385</u>	<u>\$ 623,442</u>	<u>\$ 1,590,331</u>	<u>\$ 24,726,016</u>

**Catholic Charities of Northeast Kansas, Inc. and Subsidiary**

**Notes to Consolidated Financial Statements**

**Note 12. Functional Expense Allocation (Continued)**

The Organization classified expenses for the year ended June 30, 2020, as follows:

	Program Services							Supporting Services		Total
	Family Support	Respect Life	Asset Development	Hospice	Workforce	Supply Chain	Thrift Stores	Fund Raising	Management and General	
Salaries	\$ 1,217,498	\$ 554,865	\$ 311,966	\$ 2,505,031	\$ 1,258,504	\$ 313,827	\$ 591,243	\$ 361,065	\$ 1,026,223	\$ 8,140,222
Payroll taxes	87,743	43,195	24,525	174,544	77,340	23,556	38,757	26,815	74,369	570,844
Benefits	126,771	81,046	32,427	361,813	152,277	44,765	66,506	57,860	137,490	1,060,955
Contract services	79,085	13,732	8,277	203,906	127,646	13,640	31,671	3,635	113,335	594,927
Assistance to individuals	1,101,009	7,454	259,098	-	278,234	72,183	-	-	-	1,717,978
Assistance—Care contracts	-	266,504	-	668,764	-	-	-	-	-	935,268
Contributed goods	8,493,470	62,792	-	-	23,697	239,321	35,465	-	-	8,854,745
Professional services	4,618	6,344	1,588	47,183	5,264	955	5,273	831	64,524	136,580
Occupancy	265,888	35,641	8,533	52,126	65,687	32,330	567,155	31,557	112,908	1,171,825
Depreciation	102,442	7,211	4,007	1,980	34,139	65,615	37,033	1,020	29,822	283,269
Insurance	4,092	212	97	8,469	14,127	11,042	2,875	95	28,566	69,575
Equipment rent and maintenance	8,658	2,228	342	160,851	6,077	304	887	2,626	4,866	186,839
Telephone	34,164	10,285	9,398	63,994	36,898	12,187	23,610	7,615	20,163	218,314
Supplies	42,420	11,147	6,476	252,543	35,350	24,943	41,961	8,388	15,036	438,264
Printing	2,804	1,849	1,946	27,556	3,590	869	9,635	29,896	3,876	82,021
Postage	1,263	2,042	320	1,959	6,366	113	15,606	2,296	3,711	33,676
Mileage reimbursement and other travel	19,793	10,587	11,775	130,585	14,917	3,460	2,374	4,394	6,525	204,410
Vehicle expense	12,626	1,911	248	3,508	4,300	33,043	12,717	2,363	5,781	76,497
Continuing education	368	949	5,665	9,313	5,802	830	290	220	5,744	29,181
Dues and subscriptions	7,123	617	5,320	3,092	3,410	175	4,593	4,591	11,561	40,482
Volunteer expense	1,891	13,690	1,005	2,414	861	388	1,396	187	1,128	22,960
Miscellaneous	6,704	759	325	4,646	8,163	1,440	51,083	1,860	25,810	100,790
	<u>\$ 11,620,430</u>	<u>\$ 1,135,060</u>	<u>\$ 693,338</u>	<u>\$ 4,684,277</u>	<u>\$ 2,162,649</u>	<u>\$ 894,986</u>	<u>\$ 1,540,130</u>	<u>\$ 547,314</u>	<u>\$ 1,691,438</u>	<u>\$ 24,969,622</u>

## **Catholic Charities of Northeast Kansas, Inc. and Subsidiary**

### **Notes to Consolidated Financial Statements**

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#### **Note 13. Subsequent Events**

Management has evaluated and disclosed subsequent events up to and including October 20, 2021, which is the date the financial statements were available to be issued.

On July 1, 2021, the Organization entered into an agreement to sell certain assets of the business to Catholic Community Hospice of Northeast Kansas, Inc. for a total purchase price of \$1,000,000, payable with the net profits of the business over a three year period from the closing date (approximately \$333,333 per year).

On July 1, 2021, the Organization entered into an agreement to sell certain assets of the business to Catholic Community Service, In-Home Support of Northeast Kansas, Inc. for a total purchase price of \$200,000, payable with the net profits of the business over a three year period from the closing date (approximately \$66,667 per year).