



Catholic Charities of South Carolina

Independent Auditor's Report and Financial Statements

June 30, 2024 and 2023



Catholic Charities of South Carolina
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June 30, 2024 and 2023

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Independent Auditor's Report

The Board of Directors
Catholic Charities of South Carolina
Charleston, South Carolina

Opinion

We have audited the financial statements of Catholic Charities of South Carolina ("Catholic Charities"), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Catholic Charities as of June 30, 2024 and 2023, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Catholic Charities and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Catholic Charities' ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Catholic Charities' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Catholic Charities' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Forvis Mazars, LLP

**Greenville, South Carolina
June 30, 2025**

Catholic Charities of South Carolina
Statements of Financial Position
June 30, 2024 and 2023

| | <u>2024</u> | <u>2023</u> |
|---|---------------------|---------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 2,182,548 | \$ 1,621,011 |
| Funds Held in Trust by Affiliate: | | |
| Pooled investments | 1,919,183 | 1,860,276 |
| Accounts receivable, net | 6,584 | 45,907 |
| Due from the Chancery of the Roman Catholic Diocese of Charleston | 983,251 | - |
| Prepaid expenses | 118,352 | 49,476 |
| Operating lease right-of-use assets | 57,378 | - |
| Property and equipment, net | 630,031 | 1,012,205 |
| Total assets | <u>\$ 5,897,327</u> | <u>\$ 4,588,875</u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities: | | |
| Accounts payable | \$ 43,398 | \$ 25,994 |
| Accrued wages and benefits | 164,618 | 104,673 |
| Due to other Diocesan entities | 972,307 | 438,935 |
| Operating lease liabilities | 58,278 | - |
| Loan payable | 500,000 | 500,000 |
| Total liabilities | <u>1,738,601</u> | <u>1,069,602</u> |
| Net Assets: | | |
| Without donor restrictions: | | |
| Undesignated | (542,599) | (236,027) |
| Invested in property and equipment | 630,031 | 1,012,205 |
| | 87,432 | 776,178 |
| With donor restrictions | 4,071,294 | 2,743,095 |
| Total net assets | <u>4,158,726</u> | <u>3,519,273</u> |
| Total liabilities and net assets | <u>\$ 5,897,327</u> | <u>\$ 4,588,875</u> |

Catholic Charities of South Carolina
Statement of Activities and Changes in Net Assets
Year ended June 30, 2024

| | <u>Without Donor Restriction</u> | <u>With Donor Restriction</u> | <u>Total</u> |
|--|--------------------------------------|-----------------------------------|---------------------|
| Support and Revenue: | | | |
| Contributions | \$ 1,859,938 | \$ 1,668,144 | \$ 3,528,082 |
| Donated facilities, property, and services | 699,532 | - | 699,532 |
| Program service fees | 486,638 | - | 486,638 |
| Elder home residential income | 500,997 | - | 500,997 |
| Investments returns, net | 46,671 | 132,327 | 178,998 |
| Loss on disposal of property and equipment | (88,833) | - | (88,833) |
| | <u>3,504,943</u> | <u>1,800,471</u> | <u>5,305,414</u> |
| Net assets released from restrictions | 472,272 | (472,272) | - |
| Total Support and Revenue | <u>3,977,215</u> | <u>1,328,199</u> | <u>5,305,414</u> |
| Expenses: | | | |
| Program services | 3,752,233 | - | 3,752,233 |
| General and administration | 913,728 | - | 913,728 |
| Total Expenses | <u>4,665,961</u> | <u>-</u> | <u>4,665,961</u> |
| Change in net assets | (688,746) | 1,328,199 | 639,453 |
| Net assets, beginning of year | 776,178 | 2,743,095 | 3,519,273 |
| Net assets, end of year | <u>\$ 87,432</u> | <u>\$ 4,071,294</u> | <u>\$ 4,158,726</u> |

Catholic Charities of South Carolina
Statement of Activities and Changes in Net Assets
Year ended June 30, 2023

| | <u>Without Donor Restriction</u> | <u>With Donor Restriction</u> | <u>Total</u> |
|--|--------------------------------------|-----------------------------------|---------------------|
| Support and Revenue: | | | |
| Contributions | \$ 1,908,881 | \$ 511,523 | \$ 2,420,404 |
| Donated facilities, property, and services | 598,311 | - | 598,311 |
| Program service fees | 496,445 | - | 496,445 |
| Elder home residential income | 778,239 | - | 778,239 |
| In-kind contributions | 4,000 | - | 4,000 |
| Investments returns, net | 40,116 | 251,042 | 291,158 |
| | <u>3,825,992</u> | <u>762,565</u> | <u>4,588,557</u> |
| Net assets released from restrictions | 379,306 | (379,306) | - |
| Total Support and Revenue | <u>4,205,298</u> | <u>383,259</u> | <u>4,588,557</u> |
| Expenses: | | | |
| Program services | 3,621,239 | - | 3,621,239 |
| General and administration | 695,111 | - | 695,111 |
| Total Expenses | <u>4,316,350</u> | <u>-</u> | <u>4,316,350</u> |
| Change in net assets | (111,052) | 383,259 | 272,207 |
| Net assets, beginning of year | 887,230 | 2,359,836 | 3,247,066 |
| Net assets, end of year | <u>\$ 776,178</u> | <u>\$ 2,743,095</u> | <u>\$ 3,519,273</u> |

Catholic Charities of South Carolina
Statements of Cash Flows
Years ended June 30, 2024 and 2023

| | <u>2024</u> | <u>2023</u> |
|---|---------------------|---------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 639,453 | \$ 272,207 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation expense | 93,341 | 85,272 |
| Net realized gains from investments | (53,721) | (20,511) |
| Net unrealized gains from investments | (63,532) | (210,068) |
| Noncash operating lease expense | 9,062 | - |
| Loss on disposal of property and equipment | 88,833 | - |
| Changes in assets and liabilities: | | |
| Accounts receivable, net | 39,323 | (41,427) |
| Due from other Diocesan entities | (983,251) | - |
| Prepaid expense | (68,876) | (18,219) |
| Accounts payable | 17,404 | (3,741) |
| Accrued wages and benefits | 59,945 | (70,260) |
| Due from the Chancery of the Roman Catholic Diocese of Charleston | 533,372 | 243,744 |
| Operating lease liabilities | (8,162) | - |
| Net cash provided by operating activities | <u>303,191</u> | <u>236,997</u> |
| Cash flows from investing activities: | | |
| Proceeds from sales of investments | 74,231 | 71,202 |
| Purchases of investments | (15,885) | (30,497) |
| Proceeds from sales of property and equipment | 200,000 | - |
| Purchases of property and equipment | - | (55,358) |
| Net cash provided by (used in) investing activities | <u>258,346</u> | <u>(14,653)</u> |
| Change in cash and cash equivalents | 561,537 | 222,344 |
| Cash and cash equivalents, beginning of year | <u>1,621,011</u> | <u>1,398,667</u> |
| Cash and cash equivalents, end of year | <u>\$ 2,182,548</u> | <u>\$ 1,621,011</u> |
| Supplemental disclosures of noncash financing activities: | | |
| Cash paid for interest | <u>\$ 24,447</u> | <u>\$ 17,658</u> |

Note 1. Nature of Organization

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

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

The programs provided by Catholic Charities are as follows:

Campaign for Human Development – In cooperation with the United States Conference of Catholic Bishops, provides funding for self-help community organizations and advocates for social justice.

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

General Assistance – Provides assistance to people in need.

Ministry Work:

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

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

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

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

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

Carter May Home/St. Joseph Residence – Community residential care for older adults. During 2024, the Carter May Home/St. Joseph Residence was closed and operations ceased.

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

Restorative Justice – Helping people make the transition out of prison safely and in such a way as to reduce the recidivism rate.

Catholic Charities of South Carolina
Notes to Financial Statements
June 30, 2024 and 2023

Prison Ministry – Ministering to people in prison.

Next Level Services and Getting Ahead – Catholic Charities walks with individuals as they transform their lives and break the cycles of poverty.

Note 2. Summary of Significant Accounting Policies

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

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

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

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as support without restrictions.

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

Pooled Investments – Catholic Charities carries investments in marketable debt and equity securities at their fair values on the statements of financial position. Unrealized gains and losses are included in investment returns, net on the accompanying statements of activities and changes in net assets. See further information regarding investments in Note 5.

Accounts Receivable – Receivables are stated at amounts Catholic Charities expects to collect (unpaid balances less estimated allowances for credit losses) based on management's assessment of the financial stability of the respective debtors. Receivables determined by Catholic Charities not to be collectible are charged off against the respective allowances. The allowance for credit losses was \$5,950 as of June 30, 2024 and 2023.

Catholic Charities does not believe there are significant credit risks associated with accounts receivables. In estimating its expected credit losses, Catholic Charities may consider historical collection information and existing economic conditions adjusted for current conditions and reasonable and supportable forecasts. Amounts recognized for allowances for expected credit losses are immaterial to the financial statements. If amounts become uncollectible, they will be charged to operations when that determination is made; however, management does not expect these amounts to be material.

Due from the Chancery of the Roman Catholic Diocese of Charleston – Amounts due from the Chancery consists of the deposits made into the co-operative deposit and loan program.

Prepaid Expenses – Prepaid expenses represent payments made by Catholic Charities in advance of receiving goods or services.

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

Operating lease right-of-use assets – Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Catholic Charities elected the practical expedient to account for nonlease components and the lease components to which they relate as a single lease component for all and to use the risk-free discount rate. Also, Catholic Charities has elected not to record leases with an initial term of 12 months or less on the statement of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term and any variable lease payments are recognized in the period the payments occur.

Contributions – Contributions are recognized as revenues in the year received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return or release, are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions are considered to be without donor restrictions unless specifically restricted by the donors. Contributions that are restricted by the donors are reported as increases in net assets with donor restriction. When a restriction expires (that is, when the stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the statements of activities and changes in net assets as net assets released from restrictions.

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

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

Revenue Recognition – Catholic Charities recognizes revenue in accordance with the provisions of Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers*. Program service fees for family counseling, immigration services, and services to the elderly are recognized at the time the related services are rendered which is when performance obligations are met.

Elder Home Residential Income – Services to the elderly consist principally of the rental of units in the Carter May Home/St. Joseph Residence, a retirement home. Resident fees for recurring and routine monthly services are generally billed monthly and collected at the first of each month. Payment terms are usually within 30 days. Under ASC Topic 606, management has determined that the performance obligation for the standing obligation to provide the appropriate level of care is the predominate component and does not contain a lease component under ASC Topic 842. During 2024, the Carter May Home/St. Joseph Residence was closed and operations ceased.

Catholic Charities of South Carolina
Notes to Financial Statements
June 30, 2024 and 2023

Donated Facilities, Property, and Services – A number of full and part-time volunteers have made contributions of their time to maintain Catholic Charities’ programs. However, the value of this contributed time is not reflected in the accompanying financial statements since such contributed services do not (a) create or enhance non-financial assets; or (b) require specialized skills that are provided by persons possessing those skills, and which would be purchased if not donated.

Certain facilities have been provided to Catholic Charities free or below market rent. The rental value for the donated office and building space has been estimated and recognized in the accompanying financial statements based upon an estimated rental rate of equivalent properties in the current market. During the years ended June 30, 2024 and 2023, Catholic Charities recognized revenue and related expense of \$452,391 and \$403,921, respectively, for contributed below market rent. See further information regarding related party transactions in Note 8.

The Chancery provided accounting, human resources, and legal professional services to Catholic Charities without charge in order to provide administrative support. During the years ended June 30, 2024 and 2023, Catholic Charities recognized revenue and related expense of \$247,141 and \$194,390, respectively, for contributed services received from the Chancery based on the estimated fair value of comparable services provided by third parties.

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

Catholic Charities’ policy is to record a liability for any tax position taken that is beneficial to Catholic Charities, including any related interest and penalties, when it is more likely than not the position taken by management with respect to a transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes there are no such positions as of June 30, 2024 and, accordingly, no liability has been accrued. Management believes Catholic Charities continues to satisfy the requirements of a tax-exempt organization.

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

Revision – Certain immaterial revisions have been made to the 2023 financial statements for the categorization of fair value measurements within the fair value hierarchy in Note 5. These revisions did not have a significant impact on the financial statement line items impacted.

Note 3. Cash, Liquidity, and Availability of Resources

Catholic Charities places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts. Catholic Charities from time to time may have amounts on deposit in excess of the insured limits. As of June 30, 2024 and 2023, Catholic Charities had \$1,965,010 and \$1,886,910, respectively, which exceeded these insured amounts.

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

| | <u>2024</u> | <u>2023</u> |
|---|---------------------|-------------------|
| Cash and cash equivalents | \$ 2,182,548 | \$ 1,621,011 |
| Pooled investments | 1,919,183 | 1,860,276 |
| Accounts receivable, due within one year | 6,584 | 45,907 |
| Due from the Chancery of the Roman Catholic Diocese of Charleston | <u>983,251</u> | <u>-</u> |
| | 5,091,566 | 3,527,194 |
| Less amounts unavailable for general expenditures: | | |
| Required to satisfy donor restrictions | (4,071,294) | (2,743,095) |
| Plus endowment investments available for general purposes and for distribution in accordance with the spending rate policy | <u>72,665</u> | <u>74,231</u> |
| Financial assets available to meet general expenditures in the next year | <u>\$ 1,092,937</u> | <u>\$ 858,330</u> |

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

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

Catholic Charities of South Carolina
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Note 4. Functional Expenses

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

Expenses by function and nature consist of the following for the year ended June 30, 2024:

| | Personnel Expense | Occupancy Expense | Office/ Program Expense | Professional and Contracted Services | Travel and Professional Development | Grants and Other Assistance | Total |
|--------------------------|------------------------------|------------------------------|--|---|--|--|---------------------|
| Program services: | | | | | | | |
| Direct services | \$ 534,928 | \$ 311,147 | \$ 155,207 | \$ 5,108 | \$ 16,407 | \$ 232,542 | \$ 1,255,339 |
| Disaster relief | - | 120 | - | - | 389 | 93,317 | 93,826 |
| Carter May Home | 1,036,865 | 292,991 | 93,210 | 35,774 | 8,128 | 39 | 1,467,007 |
| St. Joseph | - | - | - | 304 | - | - | 304 |
| Immigration services | 515,664 | 109,677 | 16,349 | 10,896 | 10,618 | - | 663,204 |
| International ministries | 4,073 | 662 | 750 | 6,030 | 6,303 | 32,900 | 50,718 |
| Prison ministry | 67,980 | 41 | 2,048 | - | 1,977 | 77,122 | 149,168 |
| Seafarer's ministry | 68,206 | - | 4,461 | - | - | - | 72,667 |
| Total program expenses | 2,227,716 | 714,638 | 272,025 | 58,112 | 43,822 | 435,920 | 3,752,233 |
| Administrative: | | | | | | | |
| Management and general | 311,541 | 364,545 | 113,772 | 99,697 | 23,745 | 428 | 913,728 |
| | <u>\$ 2,539,257</u> | <u>\$ 1,079,183</u> | <u>\$ 385,797</u> | <u>\$ 157,809</u> | <u>\$ 67,567</u> | <u>\$ 436,348</u> | <u>\$ 4,665,961</u> |

Catholic Charities of South Carolina
Notes to Financial Statements
June 30, 2024 and 2023

Expenses by function and nature consist of the following for the year ended June 30, 2023:

| | Personnel Expense | Occupancy Expense | Office/ Program Expense | Professional and Contracted Services | Travel and Professional Development | Grants and Other Assistance | Other | Total |
|--------------------------|------------------------------|------------------------------|--|---|--|--|-----------------|---------------------|
| Program services: | | | | | | | | |
| Prison ministry | \$ 98,188 | \$ 87 | \$ 3,698 | \$ 6 | \$ 8,096 | \$ 63,140 | \$ - | \$ 173,215 |
| Direct services | 595,399 | 381,318 | 198,416 | 45,645 | 26,482 | 217,913 | - | 1,465,173 |
| Disaster relief | 4,814 | - | 1,879 | - | 3,574 | 9,000 | - | 19,267 |
| Carter May Home | 835,876 | 271,851 | 132,700 | 2,746 | 16,644 | - | 5,653 | 1,265,470 |
| Immigration services | 548,429 | 95,479 | 19,182 | 19,572 | 15,452 | - | - | 698,114 |
| Total program expenses | 2,082,706 | 748,735 | 355,875 | 67,969 | 70,248 | 290,053 | 5,653 | 3,621,239 |
| Administrative: | | | | | | | | |
| Management and general | 215,258 | 219,068 | 171,264 | 68,673 | 8,992 | 11,562 | 294 | 695,111 |
| | <u>\$ 2,297,964</u> | <u>\$ 967,803</u> | <u>\$ 527,139</u> | <u>\$ 136,642</u> | <u>\$ 79,240</u> | <u>\$ 301,615</u> | <u>\$ 5,947</u> | <u>\$ 4,316,350</u> |

Catholic Charities of South Carolina
Notes to Financial Statements
June 30, 2024 and 2023

Note 5. Funds Held in Trust by Affiliate

Catholic Charities' investments are held in trust by an affiliated organization, the Catholic Community Foundation of South Carolina (the "Foundation"). The Foundation holds and invests funds belonging to Catholic Charities in a custodial capacity. In accordance with ASC 958, Section 320, *Not-for-Profit Entities, Investments*, Catholic Charities' investments are stated at fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

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

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

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

The following table sets forth by level the fair value hierarchy of Catholic Charities' assets accounted for at fair value on a recurring basis as of June 30, 2024:

| | Fair value measurements at June 30, 2024 | | | |
|--|---|---|--|--|
| | Total | Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1) | Quoted Prices or Similar Assets and Liabilities (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets measured at fair value: | | | | |
| Corporate and government debt securities | \$ 548,989 | \$ 178,934 | \$ 370,055 | \$ - |
| Equity securities | <u>1,342,653</u> | <u>1,342,653</u> | <u>-</u> | <u>-</u> |
| Total assets at fair value | <u>\$ 1,891,642</u> | <u>\$ 1,521,587</u> | <u>\$ 370,055</u> | <u>\$ -</u> |

Investments are held at fair value and included in the table above except cash totaling \$27,541.

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The following table sets forth by level the fair value hierarchy of Catholic Charities' assets accounted for at fair value on a recurring basis as of June 30, 2023:

| | Fair value measurements at June 30, 2023 | | | |
|--|---|---|--|--|
| | Total | Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1) | Quoted Prices or Similar Assets and Liabilities (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets measured at fair value: | | | | |
| Corporate and government debt securities | \$ 572,870 | \$ 171,505 | \$ 401,365 | \$ - |
| Equity securities | <u>1,243,127</u> | <u>1,243,127</u> | <u>-</u> | <u>-</u> |
| Total assets at fair value | <u>\$ 1,815,997</u> | <u>\$ 1,414,632</u> | <u>\$ 401,365</u> | <u>\$ -</u> |

Investments are held at fair value and included in the table above except cash totaling \$44,279.

Investment income is comprised of the following for the years ended June 30, 2024 and 2023:

| | June 30, 2024 | | |
|-------------------------------------|---------------------------------------|------------------------------------|-------------------|
| | Without donor restrictions | With donor restrictions | Total |
| Dividends and interest, net of fees | \$ 45,956 | \$ 15,789 | \$ 61,745 |
| Realized gains, net | 324 | 53,397 | 53,721 |
| Unrealized gains, net | <u>391</u> | <u>63,141</u> | <u>63,532</u> |
| Total | <u>\$ 46,671</u> | <u>\$ 132,327</u> | <u>\$ 178,998</u> |

| | June 30, 2023 | | |
|-------------------------------------|---------------------------------------|------------------------------------|-------------------|
| | Without donor restrictions | With donor restrictions | Total |
| Dividends and interest, net of fees | \$ 38,746 | \$ 21,833 | \$ 60,579 |
| Realized gains, net | 121 | 20,390 | 20,511 |
| Unrealized gains, net | <u>1,249</u> | <u>208,819</u> | <u>210,068</u> |
| Total | <u>\$ 40,116</u> | <u>\$ 251,042</u> | <u>\$ 291,158</u> |

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Note 6. Property and Equipment

Property and equipment consists of the following at June 30:

| | <u>2024</u> | <u>2023</u> |
|------------------------------------|-------------------|---------------------|
| Service office buildings | \$ 637,209 | \$ 1,094,683 |
| Furniture, vehicles, and equipment | <u>483,704</u> | <u>504,147</u> |
| | 1,120,913 | 1,598,830 |
| Less accumulated depreciation | <u>(490,882)</u> | <u>(586,625)</u> |
| | <u>\$ 630,031</u> | <u>\$ 1,012,205</u> |

Depreciation expense for the years ended June 30, 2024 and 2023 was \$93,341 and \$85,272, respectively.

A service office building was constructed in Greenville, South Carolina on land leased from a local parish of the Diocese of Charleston. Construction of the building was completed in 2004. Catholic Charities has entered into a lease agreement for 99 years with the Diocese of Charleston on behalf of a local parish to lease this land at an annual rental expense of \$100 (see Note 8). Catholic Charities occupies approximately 52% of the building and leases 48% of the building to the parish.

Note 7. Leases under ASC 842

Catholic Charities leases office space under the terms of non-cancellable operating lease. Operating lease expense is recognized in operations on a straight-line basis over the lease term. In determining lease asset values, Catholic Charities considers fixed payment terms, incentives, and options to extend or terminate. Renewal, termination, or purchase options affect the lease term used for determining lease asset value only if the option is reasonably certain to be exercised. Variable payments, such as variable common area maintenance, are expensed in the period incurred and not included in the lease asset or liability values.

The components of lease expense and related classification in the accompanying statements of activities and changes in net assets were as follows during 2024:

| | |
|---|------------------|
| Operating lease cost (occupancy expense): | |
| Fixed lease cost | \$ 10,350 |
| Short-term lease cost | <u>48,923</u> |
| Total operating lease cost | <u>\$ 59,273</u> |

Cash paid for amounts included in the measurement of lease liabilities for the year ended June 30, 2024, is as follows:

| | |
|--|-----------------|
| Operating cash flows from operating leases | <u>\$ 9,428</u> |
|--|-----------------|

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The following table presents operating lease-related assets and liabilities at June 30, 2024:

| | |
|--|------------------|
| Operating leases: | |
| Right-of-use assets - operating leases | <u>\$ 57,378</u> |
| Operating lease liabilities | <u>\$ 58,278</u> |

Other information:

| | |
|--|------------|
| Weighted-average remaining lease term – operating leases | 4.25 years |
| Weighted-average discount rate – operating leases | 4.72% |

Future lease liability maturities are as follows:

| | <u>Operating</u> |
|-----------------|------------------|
| 2025 | \$ 14,250 |
| 2026 | 14,850 |
| 2027 | 15,450 |
| 2028 | 16,050 |
| 2029 | <u>4,050</u> |
| Total | 64,650 |
| Less: Interest | <u>(6,372)</u> |
| Lease liability | <u>\$ 58,278</u> |

Note 8. Related Party and Other Leasing Transactions

Catholic Charities leases the land its Greenville office is located on from a local parish of the Diocese of Charleston for an annual rent of \$100. The lowcountry office of Catholic Charities is leased from a Diocesan parish for no rent. The annual rent value of such donated facilities was estimated to be \$65,593 and \$58,565 for the years ended June 30, 2024 and 2023, respectively, and is included in donated facilities, property, and services revenue and program services expenses on the accompanying statements of activities and changes in net assets.

Catholic Charities occupied the Carter May Home/St. Joseph Residence and certain office space owned by the Diocese of Charleston. No rental payments were charged for the use of the Carter May Home/St. Joseph Residence and Catholic Charities Central office space from the Diocese of Charleston. The annual rental value of these donated facilities was estimated at \$324,918 and \$290,106 for the years ended June 30, 2024 and 2023, respectively, and is included in donated facilities, property, and services revenue and program services expenses on the accompanying statements of activities and changes in net assets.

Catholic Charities is provided administrative, professional, and other support from the Chancery and the Catholic Community Foundation of South Carolina. The annual value of these donated services was estimated at \$247,141 and \$194,390, respectively, for the years ended June 30, 2024 and 2023, and are included in donated facilities, property, and services revenue and general and administrative expenses on the accompanying statements of activities and changes in net assets. The Chancery also provides direct financial support through the Bishop's stewardship appeal of \$990,000 and \$910,000 for the years ended June 30, 2024 and 2023, respectively, which are included in contributions on the statements of activities and changes in net assets.

Catholic Charities reimburses the Chancery for personnel and other expenses that are paid on its behalf by the Chancery. As of June 30, 2024 and 2023, amounts due to the Chancery for these expenses totaled \$972,307 and \$438,935, respectively.

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Catholic Charities occupied and operated the Hardeeville Thrift Store facility during the year which is owned by the Diocese of Charleston. No rental payments were charged for the use of this office space from the Diocese of Charleston. The annual rental value of such donated facilities was estimated at \$61,880 and \$55,250 for the years ended June 30, 2024 and 2023, respectively, which is included in donated facilities, property, and services revenue and program services expenses on the statements of activities and changes in net assets.

As described in Note 5, Catholic Charities' investments are held in trust by the Foundation, an affiliate and related party.

In June 2019, Catholic Charities executed a promissory note and loan agreement for \$500,000 with the Diocesan co-operative deposit and loan program administered by the Chancery. The promissory note requires monthly payments of interest at the one-month LIBOR rate plus 1.5% not to be less than a floor established by the Chancery (4.50% and 4.00% at June 30, 2024 and 2023, respectively) beginning in July 2019 and lasting through the note's maturity in March 2025, when all principal and interest is due. In April 2020, the Bishop of Charleston changed the floor on all active loans from 4.5% to 3.25% until further notice due to the coronavirus pandemic. This floor was raised to 3.50% effective July 1, 2022, 4.00% effective January 1, 2023, and then 4.50% effective July 1, 2023. Entities participating in the loan program have the option to make scheduled principal payments but are not required. At June 30, 2024 and 2023, the outstanding balance of this note amounted to \$500,000 and is shown in the balance on the statements of financial position as a loan payable. During the year ended June 30, 2024 and 2023, Catholic Charities incurred \$24,447 and \$17,658 of interest, respectively.

As of June 30, 2024 and 2023, Catholic Charities had \$983,251 and \$-, respectively, on deposit with the Chancery's co-operative deposit and loan program.

Note 9. Retirement Plan

Catholic Charities employees participate in a contributory retirement plan administered by the Diocese of Charleston. After one year of service, the employer contributes 5% of the employee's monthly salary for employees contributing a minimum of 3% of their monthly salary. The contributions are limited to the maximum annual amounts allowed by the Internal Revenue Service. For the years ended June 30, 2024 and 2023, Catholic Charities made contributions to the lay retirement plan for its employees totaling \$48,915 and \$41,120, respectively.

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Note 10. Net assets with donor restrictions

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

| | <u>2024</u> | <u>2023</u> |
|--|---------------------|---------------------|
| Subject to expenditure for specific purpose: | | |
| Disaster funds: | | |
| Disaster assistance – fire | \$ 18,818 | \$ 18,818 |
| Disaster assistance – future | 115,111 | 158,559 |
| Disaster assistance – hurricane | <u>16,698</u> | <u>23,369</u> |
| | <u>150,627</u> | <u>200,746</u> |
| Ministry funds: | | |
| Aid to pregnant women | 2,053 | 2,053 |
| Angel Fund | 6,324 | 4,503 |
| Blue Cross Blue Shield Save a Smile Grant | 2,961 | 6,534 |
| Campaign for human development | 16,415 | 9,692 |
| COVID 19 | 7,576 | 7,841 |
| Grants | 165,812 | 37,187 |
| Low Country Deanery Pantry Program | 54,004 | 45,605 |
| Make Money Count Program | 17,260 | 17,260 |
| Operation rice bowl | 17,742 | 12,329 |
| Save a Smile Program | 63,792 | 62,271 |
| Shelter Laundry Service Program | 137,595 | 62,918 |
| Our Lady of the Valley Outreach Program | 983,251 | - |
| Other restricted programs | <u>537,643</u> | <u>424,119</u> |
| | <u>2,012,428</u> | <u>692,312</u> |
| Subject to appropriation: | | |
| Accumulated endowment earnings | 399,704 | 341,502 |
| Endowments held in perpetuity | <u>1,508,535</u> | <u>1,508,535</u> |
| | <u>1,908,239</u> | <u>1,850,037</u> |
| | <u>\$ 4,071,294</u> | <u>\$ 2,743,095</u> |

Note 11. Endowments

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

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Interpretation of Relevant Law – Catholic Charities has interpreted the state of South Carolina enacted version of the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. At June 30, 2024 and 2023, there were no such donor stipulations. As a result of this interpretation, Catholic Charities retains in perpetuity (a) the original value of initial and subsequent gift amounts (including contributions receivable, net of discount and allowance for doubtful accounts, donated to the endowment) and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by Catholic Charities in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

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

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

Donor-restricted endowment net asset composition by type of fund as of June 30, 2024 is as follows:

| | <u>Net Assets With Donor Restrictions- Time Restricted</u> | <u>Net Assets With Donor Restrictions- In Perpetuity</u> | <u>Total</u> |
|-------------------------------------|--|--|--------------|
| Donor-restricted endowment funds | \$ 399,704 | \$ 1,508,535 | \$ 1,908,239 |

The following details the changes in Catholic Charities’ endowment net assets for the year ended June 30, 2024:

| | <u>Without Donor Restriction</u> | <u>With Donor Restriction</u> | <u>Total</u> |
|---|--|---------------------------------------|--------------|
| Endowment net assets, beginning of year | \$ - | \$ 1,850,037 | \$ 1,850,037 |
| Investment returns, net | - | 132,327 | 132,327 |
| Amounts appropriated for expenditure | - | (74,125) | (74,125) |
| Endowment net assets, end of year | \$ - | \$ 1,908,239 | \$ 1,908,239 |

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Donor-restricted endowment net asset composition by type of fund as of June 30, 2023 is as follows:

| | <u>Net Assets With Donor Restrictions- Time Restricted</u> | <u>Net Assets With Donor Restrictions- In Perpetuity</u> | <u>Total</u> |
|-------------------------------------|--|--|--------------|
| Donor-restricted endowment funds | \$ 341,502 | \$ 1,508,535 | \$ 1,850,037 |

The following details the changes in Catholic Charities' endowment net assets for the year ended June 30, 2023:

| | <u>Without Donor Restriction</u> | <u>With Donor Restriction</u> | <u>Total</u> |
|---|--|---------------------------------------|---------------------|
| Endowment net assets, beginning of year | \$ - | \$ 1,661,557 | \$ 1,661,557 |
| Contributions | - | 8,535 | 8,535 |
| Investment returns, net | - | 251,042 | 251,042 |
| Amounts appropriated for expenditure | - | (71,097) | (71,097) |
| Endowment net assets, end of year | <u>\$ -</u> | <u>\$ 1,850,037</u> | <u>\$ 1,850,037</u> |

At June 30, 2024 and 2023, Catholic Charities held no underwater endowments.

Note 12. Subsequent events

The Catholic Charities has evaluated subsequent events through June 30, 2025, which is the date these financial statements were available to be issued.