CARITAS

Consolidated Financial Statements

June 30, 2018 and 2017

Keiter
Your Opportunity Advisors

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CARITAS

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REPORT OF INDEPENDENT ACCOUNTANTS

Board of Directors
CARITAS
Richmond, Virginia

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of CARITAS and Subsidiaries (collectively, the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CARITAS and Subsidiaries as of June 30, 2018 and 2017, 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.

Supplemental Information

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

Prior Period Adjustments

As described in Note 16 to the consolidated financial statements, the Organization did not properly account for capitalization of certain construction work in progress in the 2016 and 2017 consolidated financial statements. The omissions were discovered by management subsequent to the issuance of our audit report on the 2017 consolidated financial statements, dated November 8, 2017. Accordingly, the beginning of year net assets, end of year net assets, and property and equipment balances on the 2017 consolidated statement of activities have been restated.

Keiter

November 14, 2018
Glen Allen, Virginia

CARITAS

Consolidated Statements of Financial Position
June 30, 2018 and 2017

Assets	2018	2017
Current assets:		
Cash and cash equivalents	$ 1,054,728	$ 1,241,411
Unconditional promises to give, current	2,256,296	985,248
Investments in marketable securities	5,281,267	2,448,332
Inventory	96,685	90,255
Prepaid expenses	14,916	9,517
Deposits	20,065	23,885
Total current assets	8,723,957	4,798,648
Property and equipment, net	5,448,369	3,069,327
Other assets:		
Unconditional promises to give, net of current portion and discount	2,786,113	340,744
Beneficial interest in assets held at The Community Foundation	671,145	647,628
Total other assets	3,457,258	988,372
Total assets	$17,629,584	$ 8,856,347

See accompanying notes to consolidated financial statements.

CARITAS

Consolidated Statements of Financial Position, Continued
June 30, 2018 and 2017

Liabilities and Net Assets	2018	2017
Current liabilities:		
Accounts payable and accrued expenses	$ 273,960	$ 93,607
Funds held for others	40,283	50,762
Current portion of long-term debt	-	140,354
Current portion of capital lease obligation	15,514	15,561
Total current liabilities	329,757	300,284
Non-current liabilities:		
Long-term debt, net of current portion	-	30,098
Capital lease obligation, net of current portion	23,715	39,181
Total liabilities	353,472	369,563
Net assets:		
Unrestricted:		
Undesignated - available for general activities	6,862,894	4,434,489
Board designated for an operating reserve	215,000	215,000
Board designated - assets held at The Community Foundation	626,805	579,030
	7,704,699	5,228,519
Temporarily restricted	9,500,815	3,189,667
Permanently restricted	68,598	68,598
Total controlling interest in net assets	17,274,112	8,486,784
Non-controlling interest	2,000	-
Total net assets	17,276,112	8,486,784
Total liabilities and net assets	$17,629,584	$ 8,856,347

See accompanying notes to consolidated financial statements.

CARITAS

Consolidated Statement of Activities
Year Ended June 30, 2018 with Comparative Totals for 2017

	2018				2017
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenue and support:					
Grants and contributions:					
Capital campaign for the CARITAS Center	$ -	$ 8,633,814	$ -	$ 8,633,814	$ 3,364,078
Congregations, individuals and business	1,159,454	-	-	1,159,454	1,259,098
Foundations	543,539	100,000	-	643,539	352,000
In-kind contributions	661,648	-	-	661,648	756,563
Government funding	744,822	75,000	-	819,822	839,606
United Way Service	98,297	95,490	-	193,787	243,699
AmeriCorps	228,709	-	-	228,709	234,034
Program fees	425,746	-	-	425,746	415,051
Special event income	73,630	-	-	73,630	80,236
Special projects revenue	145,328	-	-	145,328	82,836
Miscellaneous revenue	61,369	-	-	61,369	58,322
Change in value of beneficial interest in assets held at The Community Foundation	47,775	-	-	47,775	63,056
Rental income	26,462	-	-	26,462	31,547
Realized gain on sale of investments	19,765	-	-	19,765	8,379
Unrealized gain on investments	21,210	-	-	21,210	53,715
Gain on sale of equipment	3,360	-	-	3,360	-
Investment income	37,890	-	-	37,890	10,575
Total revenue and support	4,299,004	8,904,304	-	13,203,308	7,852,795
Net assets released from restrictions	2,593,156	(2,593,156)	-	-	-

See accompanying notes to consolidated financial statements.

CARITAS

Consolidated Statement of Activities, Continued
Year Ended June 30, 2018 with Comparative Totals for 2017

	2018				2017
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Expenses:					
Program services	$ 3,733,309	$ -	$ -	$ 3,733,309	$ 3,779,917
Management and general	383,925	-	-	383,925	318,403
Fundraising	298,746	-	-	298,746	322,052
Total expenses	4,415,980	-	-	4,415,980	4,420,372
Change in net assets	2,476,180	6,311,148 -	-	8,787,328	3,432,423
Net assets, beginning of year, as restated (see Note 16)	5,228,519	3,189,667	68,598	8,486,784	5,054,361
Controlling interest, end of year	7,704,699	9,500,815	68,598	17,274,112	8,486,784
Non-controlling interest, end of year	2,000	-	-	2,000	-
Net assets, end of year	$ 7,706,699	$ 9,500,815	$ 68,598	$ 17,276,112	$ 8,486,784

See accompanying notes to consolidated financial statements.

CARITAS

Consolidated Statement of Activities
Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support:				
Grants and contributions:				
Capital campaign for the CARITAS Center	$ 278,489	$ 3,085,589	$ -	$ 3,364,078
Congregations, individuals and business	1,259,098	-	-	1,259,098
Foundations	352,000	-	-	352,000
In-kind contributions	756,563	-	-	756,563
Government funding	839,606	-	-	839,606
United Way Service	139,621	104,078	-	243,699
AmeriCorps	234,034	-	-	234,034
Program fees	415,051	-	-	415,051
Special event income	80,236	-	-	80,236
Special projects revenue	82,836	-	-	82,836
Miscellaneous revenue	58,322	-	-	58,322
Change in value of beneficial interest in assets held at The Community Foundation	63,056	-	-	63,056
Rental income	31,547	-	-	31,547
Realized gain on sale of investments	8,379	-	-	8,379
Unrealized loss on investments	53,715	-	-	53,715
Investment income	10,575	-	-	10,575
Total revenue and support	4,663,128	3,189,667	-	7,852,795
Net assets released from restrictions	505,632	(505,632)	-	-

See accompanying notes to consolidated financial statements.

CARITAS

Consolidated Statement of Activities, Continued
Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Expenses:				
Program services	$ 3,779,917	$ -	$ -	$ 3,779,917
Management and general	318,403	-	-	318,403
Fundraising	322,052	-	-	322,052
Total expenses	4,420,372	-	-	4,420,372
Change in net assets	748,388	2,684,035	-	3,432,423
Net assets, beginning of year, as restated (see Note 16)	4,480,131	505,632	68,598	5,054,361
Net assets, end of year, as restated (see Note 16)	$ 5,228,519	$ 3,189,667	$ 68,598	$ 8,486,784

See accompanying notes to consolidated financial statements.

CARITAS

Consolidated Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	$ 8,787,328	$ 3,432,423
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	123,584	131,683
Realized gain on sale of investments	(19,765)	(8,379)
Unrealized gain on investments	(21,210)	(53,715)
Gain on sale of equipment	(3,360)	-
Change in value of beneficial interest in assets held at The Community Foundation	(47,775)	(63,056)
Contributions restricted for long-term purposes	(5,289,955)	(2,418,248)
Change in operating assets and liabilities:		
Unconditional promises to give	(3,716,417)	(873,020)
Inventory	(6,430)	8,015
Prepaid expenses	(5,399)	26,582
Deposits	3,820	(15,500)
Accounts payable and accrued expenses	180,353	(8,422)
Funds held for others	(10,479)	10,199
Net cash (used in) provided by operating activities	(25,705)	168,562
Cash flows from investing activities:		
Proceeds from the sale of property and equipment	6,500	-
Purchases of property and equipment	(2,505,766)	(572,369)
Proceeds from sale of investments	103,023	104,123
Purchase of investments	(2,894,983)	(1,946,264)
Proceeds from beneficial interest in assets held at The Community Foundation	24,258	24,360
Net cash used in investing activities	(5,266,968)	(2,390,150)
Cash flows from financing activities		
Proceeds from issuance of noncontrolling interest	2,000	-
Contributions restricted for long-term purposes	5,289,955	2,418,248
Payments on capital lease obligation	(15,513)	(8,906)
Principal payments on long-term debt	(170,452)	(136,400)
Net cash provided by financing activities	5,105,990	2,272,942

See accompanying notes to consolidated financial statements.

CARITAS

Consolidated Statements of Cash Flows, Continued
Years Ended June 30, 2018 and 2017

	2018	2017
Net change in cash and cash equivalents	$ (186,683)	$ 51,354
Cash and cash equivalents:		
Beginning of year	1,241,411	1,190,057
End of year	$ 1,054,728	$ 1,241,411
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest - expensed	$ 5,355	$ 8,438
Cash paid during the year for interest - capitalized	$ 16,802	$ -
Non-cash transactions:		
Acquisition of property and equipment through capital lease obligation	$ -	$ 63,648

See accompanying notes to consolidated financial statements.

CARITAS

Consolidated Statement of Functional Expenses
Year Ended June 30, 2018 with Comparative Totals for 2017

	2018				2017
	Program Services	Management and General	Fundraising	Total	Total
Salaries and wages	$ 1,714,465	$ 163,211	$ 219,256	$ 2,096,932	$ 2,018,871
Furniture Bank distributions	647,098	-	-	647,098	760,232
Transportation	257,620	1,025	-	258,645	258,260
Occupancy	210,785	54	60	210,899	205,601
Utilities	169,640	1,173	1,320	172,133	162,666
Employee benefits	127,827	11,751	20,281	159,859	140,325
Payroll taxes	125,828	21,303	12,370	159,501	155,061
Depreciation	106,127	12,179	5,278	123,584	131,683
Repairs and maintenance	61,371	36,943	91	98,405	90,267
Supplies	88,911	2,699	549	92,159	72,552
Professional fees	-	85,009	-	85,009	65,095
Insurance	72,933	1,912	718	75,563	85,333
Food	65,105	-	-	65,105	81,153
Telephone	26,218	10,458	831	37,507	35,075
Special events	1,657	187	27,191	29,035	48,926
Special projects	26,365	42	-	26,407	34,528
Conferences, conventions and meetings	11,029	6,499	1,051	18,579	11,994
Bank charges	-	18,534	-	18,534	14,038
Printing and publications	428	3,874	7,166	11,468	19,104
Miscellaneous	7,346	1,030	-	8,376	1,456
Interest	4,165	1,190	-	5,355	8,438
Mileage	3,602	963	-	4,565	3,611
Client assistance	3,610	-	-	3,610	10,416
Marketing and advertising	-	1,634	1,794	3,428	1,473
Postage and shipping	349	1,786	790	2,925	2,680
Employment recruiting	830	469	-	1,299	1,534
	$ 3,733,309	$ 383,925	$ 298,746	$ 4,415,980	$ 4,420,372

See accompanying notes to consolidated financial statements.

CARITAS

Consolidated Statement of Functional Expenses
Year Ended June 30, 2017

	Program Services	Management and General	Fundraising	Total
Salaries and wages	$ 1,668,826	$ 134,280	$ 215,765	$ 2,018,871
Furniture Bank distributions	760,232	-	-	760,232
Transportation	257,068	1,192	-	258,260
Occupancy	205,454	82	65	205,601
Utilities	160,495	1,022	1,149	162,666
Employee benefits	109,995	11,484	18,846	140,325
Payroll taxes	123,098	19,736	12,227	155,061
Depreciation	114,875	11,372	5,436	131,683
Repairs and maintenance	58,316	31,645	306	90,267
Supplies	65,271	6,646	635	72,552
Professional fees	-	65,095	-	65,095
Insurance	79,935	4,336	1,062	85,333
Food	79,717	-	1,436	81,153
Telephone	28,939	5,028	1,108	35,075
Special events	156	-	48,770	48,926
Special projects	34,528	-	-	34,528
Conferences, conventions and meetings	7,716	3,422	856	11,994
Bank charges	-	14,038	-	14,038
Printing and publications	1,800	4,438	12,866	19,104
Miscellaneous	-	1,456	-	1,456
Interest	8,438	-	-	8,438
Mileage	2,843	690	78	3,611
Client assistance	10,416	-	-	10,416
Marketing and advertising	120	1,310	43	1,473
Postage and shipping	212	1,064	1,404	2,680
Employment recruiting	1,467	67	-	1,534
	$ 3,779,917	$ 318,403	$ 322,052	$ 4,420,372

See accompanying notes to consolidated financial statements.

1. Organization and Business:

CARITAS is a Virginia non-stock organization that helps its most vulnerable neighbors break the cycles of homelessness and addiction to reclaim their dignity. CARITAS receives substantially all of its public support from various sources in the Richmond metropolitan community and is exempt from federal income taxes as a not-for-profit as defined in Section 501(c)(3) of the Internal Revenue Code.

CARITAS has developed four distinct programs to promote its mission. It leverages proven programs and innovative partnerships to fill gaps in the community by creating sustainable 21st Century solutions to homelessness and addiction.

Shelter – CARITAS offers separate family and adult services and is the largest and most inclusive emergency shelter in Central Virginia providing food, shelter, client assistance, and a pathway back to self-sufficiency. CARITAS helps more than 1,000 individuals annually by leveraging the support of over 160 congregations and 15,000 volunteers and professional case managers.

Furniture Bank – CARITAS accepts donations of new and gently used furniture, kitchenware, linens, and basic household items at Central Virginia's only furniture bank, which serves more than 800 families annually. Equipped with basic household goods, these families can dedicate their resources to breaking the cycle of homelessness and poverty.

Works – CARITAS runs an intensive 5-week job-readiness program for men and women with significant barriers to employment including homelessness, addiction, and felony convictions. Works' students leave the program equipped to live independently and thrive in the community.

The Healing Place – CARITAS operates a 188-bed shelter and long-term residential recovery program for men struggling with substance use disorder. The facility includes a 24/7 emergency shelter, orientation program, recovery program, medical clinic, transitional program, and aftercare services.

Effective May 26, 2016, CARITAS Center, LLC, a Virginia limited liability company of which CARITAS was the sole member, was formed with the purpose of acquiring, financing, developing, owning, maintaining, improving, operating, leasing, and, if appropriate, selling or otherwise disposing of real property (the "CARITAS Center") in support of the CARITAS's strategic goals.

Effective December 19, 2017, in connection with earning federal and state historic tax credits and new market tax credits, CARITAS established CARITAS Structure, Inc., a Virginia corporation of which CARITAS is the sole member. Concurrently, ownership of CARITAS Center, LLC was amended to reflect a 95% membership interest of CARITAS Structure, Inc. and a 5% non-controlling membership interest of an affiliate (the "Affiliate Interest").

1. Organization and Business, Continued:

Additionally, effective December 19, 2017, CARITAS Center Tenant, LLC, was formed for the future purpose of leasing the CARITAS Center upon completion of development. CARITAS Center Tenant, LLC is owned 90% by CARITAS Structure, Inc. and 10% by the Affiliate Interest.

2. Summary of Significant Accounting Policies:

Basis of Accounting and Consolidation: The accompanying consolidated financial statements include the resources and financial activities of CARITAS and its subsidiaries: CARITAS Structure, Inc., CARITAS Center, LLC, and CARITAS Center Tenant, LLC (collectively, the “Organization”). All significant inter-company transactions and balances have been eliminated in consolidation. The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States ("GAAP") as determined by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC").

Non-Controlling Interest: In connection with the development of the CARITAS Center, an additional member was admitted to CARITAS Center, LLC and CARITAS Center Tenant, LLC. Capital contributed, plus or minus the applicable allocation of income of loss to the additional member, is presented as non-controlling interest in the accompanying consolidated financial statements. The additional member is currently a related party to CARITAS but ownership is expected to transfer to an unrelated party within the next 12 months.

Use of Estimates in the Preparation of Consolidated Financial Statements: The preparation of consolidated financial statements in conformity with 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 consolidated 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: The Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Unconditional Promises to Give: Unconditional promises to give are recorded as received. An allowance is provided for amounts estimated to be uncollectible. Management does not believe an allowance is necessary at June 30, 2018 and 2017.

Unconditional promises to give, that are due in the next year, are recorded at their net realizable value. When required, unconditional promises to give, that are due in subsequent years, are reported at the estimated present value using a risk free rate.

2. Summary of Significant Accounting Policies, Continued:

Inventory: Inventory of donated goods to the CARITAS Furniture Bank is stated at the fair market value as determined by the lower of cost or market. Goods are accounted for on the first-in, first-out ("FIFO") method.

Property and Equipment: Property and equipment are stated at cost or estimated fair market value if donated. Depreciation of property and equipment is computed on the straight-line method over the estimated useful lives of the related assets as follows:

Building	7-39 years
Leasehold improvements	2-7 years
Equipment	5-10 years
Vehicles	3-5 years

Interest expense incurred on long-term debt and other financing used for construction of property is capitalized as incurred.

Investments: The Organization invests in a professionally managed portfolio that contains bonds of publicly traded companies, mutual funds, and money market funds. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the accompanying consolidated financial statements.

Investments are reflected at fair market value as described in Note 7. Unrealized gains and losses are reported in the accompanying Consolidated Statements of Activities.

Net Assets: The Organization classifies its net assets into three categories: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted net assets - Funds that are not subject to donor-imposed stipulations. Unrestricted assets include $841,805 of board-designated net assets.

Temporarily restricted net assets - Funds subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying Consolidated Statements of Activities as net assets released from restrictions.

2. Summary of Significant Accounting Policies, Continued:

Net Assets, Continued:

Permanently restricted net assets - Funds subject to donor-imposed stipulations that will be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use part of the income earned on any related investments for general or specific purposes. The Organization had $68,598 of permanently restricted net assets at June 30, 2018 and 2017.

Contributions: All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Other than for contributions restricted for long-term purposes, support that is restricted is reported as an increase in unrestricted net assets if the restriction expires or is satisfied in the reporting period in which the support is recognized.

In-Kind Contributions: The value of in-kind contributions that either (a) created or enhanced a nonfinancial asset or (b) required specialized skills, were provided by individuals possessing those skills, and would typically need to be purchased if they had not been contributed, is recorded as a contribution at fair value in the period received. Contributed property and equipment and inventory is recorded at fair value. During the years ended June 30, 2018 and 2017, the Organization received $661,648 and $756,563, respectively, of donated furniture for distribution through its Furniture Bank program.

Income Taxes: The Internal Revenue Service (the “IRS”) has determined that CARITAS is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code (the “IRC” or “the Code”). However, income from certain activities not directly related to CARITAS’s tax-exempt purpose is subject to taxation as unrelated business income. Contributions to the Organization are tax deductible as defined by Section 170 of the Code. In addition, the IRS has determined that the Organization is not a “private foundation” within the meaning of Section 509(a) of the Code.

CARITAS Structure, Inc. is taxed as a corporation for federal and Virginia income tax purposes. Due to anticipated operating and tax losses, CARITAS Structure, Inc. has not recorded any deferred income tax benefits for net operating loss carryforwards. For income tax purposes, CARITAS Structure, Inc., CARITAS Center, LLC, and CARITAS Center Tenant, LLC report on a calendar year basis. CARITAS Center, LLC and CARITAS Center Tenant, LLC are considered disregarded entities for tax purposes and instead, their members are taxed on their proportionate share of these entities’ taxable income or loss.

2. Summary of Significant Accounting Policies, Continued:

Income Tax Uncertainties: The Organization follows FASB guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the consolidated financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Organization's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained "when challenged" or "when examined" by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense and liability in the current year. Management evaluated the Organization's tax position and concluded that the Organization had taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provisions of this guidance. The Organization is not currently under audit by any tax jurisdiction.

Functional Allocation of Expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying Consolidated Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Concentrations of Credit Risk: At June 30, 2018 and 2017, deposits were insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per financial institution. The Organization maintains cash balances at several financial institutions and at times, the balances exceed the insured amounts. As of June 30, 2018, the Organization had $257,912 in excess of the federally insured limits. As of June 30, 2017, the Organization had $244,344 in excess of the federally insured limits.

Unconditional promises to give are from individuals, corporations, and foundations. The Organization believes its credit risk related to these receivables is limited due to the nature of its donors. As of June 30, 2018 and 2017, one donor accounted for 39% and 38%, respectively, of unconditional promises to give. For the year ended June 30, 2018, one donor accounted for 16% of grants and contributions and for the year ended June 30, 2017, two donors accounted for 32% of grants and contributions.

Reclassification: Certain prior year balances have been reclassified to conform to the current year presentation.

3. Unconditional Promises to Give:

Unconditional promises to give were as follows at June 30, 2018 and 2017:

	2018	2017
Due within one year	$ 2,256,296	$ 985,248
Due in one to five years	2,880,841	350,101
Gross unconditional promises to give	5,137,137	1,335,349
Less discount to present value, discount rate of 3.4% for 2018 and 2.4% for 2017	(94,728)	(9,357)
	$ 5,042,409	$ 1,325,992

4. Property and Equipment:

Property and equipment consists of the following at June 30, 2018 and 2017:

	2018	2017
Land	$ 266,000	$ 266,000
Building	3,121,631	3,121,631
Leasehold improvements	43,263	43,263
Equipment	553,699	537,011
Vehicles	174,400	177,540
Construction work in progress	3,062,040	572,962
	7,221,033	4,718,407
Less: accumulated depreciation	1,772,664	1,649,080
Property and equipment, net	$ 5,448,369	$ 3,069,327

Construction work in progress consists of site planning, land, and development costs for the CARITAS Center. The land was purchased during 2018 and development is in progress, with expected completion in fiscal year 2020. Depreciation will begin when the project is complete and in-service. For other depreciable categories of property and equipment, depreciation expense totaled $123,584 and $131,683 for 2018 and 2017, respectively.

5. Investments in Marketable Securities:

Investments in marketable securities as of June 30, 2018 and 2017 are as follows:

	2018		2017	
	Cost	Market Value	Cost	Market Value
Equities	$ 302,947	$ 468,220	$ 280,990	$ 420,384
Fixed income	142,546	141,214	148,308	149,764
Cash equivalents	4,671,833	4,671,833	1,878,184	1,878,184
	$ 5,117,326	$ 5,281,267	$ 2,307,482	$ 2,448,332

6. Beneficial Interest in Assets Held at The Community Foundation:

On September 18, 2007, CARITAS entered into an agreement with The Community Foundation *Serving Richmond and Central Virginia* ("TCF") to create an agency endowment fund (the "Fund") as described under FASB ASC 958-20, "*Financially Interrelated Non-profit Entities*". The Board of Directors designated $500,000 to be transferred to establish the endowment and recorded it as a "Beneficial interest in assets held at The Community Foundation". Under the terms of the agreement, variance power was granted to TCF, including the power for TCF's Board of Governors to modify any restrictions or conditions on the distribution of the funds for any specified charitable purpose or to specified organizations, if in their sole judgment, such restriction or condition becomes incapable of fulfillment.

Endowment spendable income shall be determined each year to be not more than 4% of the Fund's balance at the prior calendar year-end. In addition to the aforementioned spendable income, upon a vote of 75% of all members of the CARITAS Board of Directors, and not more than once in any five-year period, up to 10% of the prior calendar year-ending fund balance may be requested for capital or emergency purposes. Any spendable income not requested by the CARITAS Board of Directors within a given calendar year will be added to the Fund's principal balance. No additional contributions were made to the endowment account in 2018 or 2017.

Activity in the Fund was as follows for the years ended June 30:

	2018	2017
Balance, beginning of year	$ 647,628	$ 608,932
Unrestricted support to TCF	(6,585)	(6,225)
Spendable income released	(24,258)	(24,360)
Net investment income	54,360	69,281
Balance, end of year	$ 671,145	$ 647,628

7. Fair Value Measurements:

The Organization has adopted FASB guidance on fair value measurements. The provisions of the guidance provides a framework for measuring fair value under GAAP and defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This guidance requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. This guidance also establishes a fair value hierarchy which prioritizes the valuation inputs into three broad levels.

Based on the underlying inputs, each fair value measurement in its entirety is reported in one of three levels:

- Level 1 – Quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 – Directly or indirectly observable valuations in the marketplace at the measurement date other than Level 1 inputs
- Level 3 – Valuations unobservable in the marketplace at the measurement date

The following table provides fair value measurement information for financial assets and liabilities measured at fair value on a recurring basis as of June 30:

	2018			
	Level 1	Level 2	Level 3	Total
Unconditional promises to give, net	$ -	$ -	$ 5,042,409	$ 5,042,409
Investments in marketable securities	5,281,267	-	-	5,281,267
Beneficial interest in assets held at TCF	-	-	671,145	671,145
	$ 5,281,267	$ -	$ 5,713,554	$ 10,994,821

	2017			
	Level 1	Level 2	Level 3	Total
Unconditional promises to give, net	$ -	$ -	$ 1,325,992	$ 1,325,992
Investments in marketable securities	2,448,332	-	-	2,448,332
Beneficial interest in assets held at TCF	-	-	647,628	647,628
	$ 2,448,332	$ -	$ 1,973,620	$ 4,421,952

7. Fair Value Measurements, Continued:

Unconditional promises to give, net are valued at the net realizable value using a quoted discount rate. The following table provides reconciliation between the beginning and ending balances of unconditional promises to give, net measured at fair value on a recurring basis using Level 3 inputs:

Balance, July 1, 2016	$ 452,972
Payments	(452,972)
New promises to give	1,335,349
Change in discount	(9,357)
Balance, June 30, 2017	1,325,992
Payments	(960,790)
New promises to give	4,762,578
Change in discount	(85,371)
Balance, June 30, 2018	$ 5,042,409

Investments in marketable securities and mutual funds are actively traded and are valued at the closing stock price or daily net asset value per share.

The fair value of beneficial interest in assets held at TCF is based on the fair value of the underlying assets based on available information. A reconciliation of the beginning and ending balances of the beneficial interest in assets held at TCF measured at fair value on a recurring basis using Level 3 inputs is presented in Note 6.

8. Funds Held For Others:

The Organization holds funds on behalf of the following:

	2018	2017
Clients	$ 31,454	$ 39,330
Other organizations	8,829	11,432
	$ 40,283	$ 50,762

9. Line of Credit:

The Organization has a variable rate revolving line of credit from Union Bank in the amount of $200,000. This line of credit is secured by an original deed of trust on the Organization's land and building. Payments of interest only are due monthly, with principal and all accrued unpaid interest due upon demand. The interest rate is the bank's prime rate plus 1%, rounded up to the nearest 0.125%, with an interest rate floor of 5.50%, (6% at June 30, 2018). The line of credit expires on February 1, 2019. There were no borrowings on the line of credit during the years ended June 30, 2018 and 2017.

10. Long-Term Debt and Other Financing:

As of June 30, 2017, the Organization held a deed of trust note payable that was set to mature on September 11, 2018. The Organization made monthly payments of $12,000 which included principal and interest at 3.40% and paid the note in full in June 2018. The note was collateralized by the Organization's land and building. Interest expense totaled $5,355 for 2018 and $8,438 for 2017.

In connection with the planned development of the CARITAS Center, CARITAS Center, LLC entered into two deed of trust notes with the seller of a warehouse building and land totaling $1,475,000 ("purchase note") and $500,000 ("demolition note"). The purchase note was used to finance the building and land purchase on December 21, 2017 and required monthly payments of interest only at 1.38% through June 30, 2018, at which time all unpaid principal and interest was due. Draws on the demolition note were made at various times between April and May 2018 and those advances also bore interest at 1.38%. All principal and unpaid interest were paid in full on both notes on June 28, 2018. Total interest of $16,802 was capitalized into construction work in process as a cost of development.

11. Temporarily Restricted Net Assets:

Temporarily restricted net assets are held by CARITAS and are restricted for the following purposes at June 30:

	2018	2017
General purposes - future years	$ 270,490	$ 104,078
The CARITAS Center	9,230,325	3,085,589
	$ 9,500,815	$ 3,189,667

11. Temporarily Restricted Net Assets, Continued:

Amounts released from restriction were as follows for the years ended June 30:

	2018	2017
General purposes - future years	$ 104,078	$ 205,439
The CARITAS Center	2,489,078	300,193
	$ 2,593,156	$ 505,632

12. Leasing Activities:

The Organization leases residential properties month-to-month for use in support of its programs at monthly rental rates ranging from $500 to $1,083. Total lease expense for the properties totaled $119,456 and $127,116 for the years ended June 30, 2018 and 2017, respectively.

The Organization leased warehouse space requiring a monthly rental of $5,800 through June 2018. Lease expense for the warehouse totaled $63,800 and $69,600 for the years ended June 30, 2018 and 2017, respectively. The Organization subleased space in the storage warehouse to another organization through June 2018 at a monthly rate of $1,961 plus $800 in reimbursements for utilities and janitorial work. Total rental income related to this lease and other rental activities totaled $26,462 and $31,547 for 2018 and 2017, respectively.

The Organization entered into a lease beginning in June 2018 for temporary use as the Furniture Bank. The lease requires monthly payments of $6,300 through October 31, 2019. The Organization also leases office equipment under a lease agreement through March 2020. Rent expense under these leases totaled $21,045 and $15,377 for the years ended 2018 and 2017, respectively.

Future minimum payments related to these leases are as follows:

Year Ending June 30,	Amount
2019	$ 83,916
2020	31,124
	$ 115,040

On December 1, 2016, the Organization entered into agreements to lease two trucks through November 2020. The vehicles and related capital lease obligations were recorded at the lower of the present value of the minimum lease payments or the fair value of the vehicles. The vehicles are depreciated over the lower of their lease terms or their estimated useful lives and is included in depreciation expense in the accompanying consolidated financial statements.

12. Leasing Activities, Continued:

Depreciation of vehicles under capital leases charged to expense totaled $15,912 for 2018 and $9,283 for 2017. A summary of property held under capital leases included in Property and Equipment is as follows:

Vehicles	$ 63,648
Less: accumulated depreciation	(25,195)
	$ 38,453

Future minimum lease payments under capital leases as of June 30, 2018 are as follows:

Year Ending June 30,	Amount
2019	$ 16,704
2020	16,704
2021	6,960
	40,368
Less: interest	(1,139)
	$ 39,229

13. Commitments and Contingencies:

As a component of planning for development of The CARITAS Center, the Organization has various contracts for design, development, and construction. The Organization can discharge the vendors at any time and only amounts incurred for completed work would be due.

The Organization is pursuing Historic Tax Credits (“HTC”) and New Market Tax Credits (“NMTC”) related to the qualified expenditures by CARITAS Center, LLC. for the development of the CARITAS Center. Receipt of the tax credits is contingent on maintaining compliance with applicable sections of the Internal Revenue Code and other regulatory requirements.

14. Retirement Plan:

The Organization sponsors a 403(b) plan for all full-time salaried employees whereby employees’ contributions are matched 50%, up to a maximum of 4% of their salary reduction contributions. The Organization’s total contributions were $29,698 for 2018 and $29,883 for 2017.

15. Subsequent Events:

Management has evaluated subsequent events for potential recognition and/or other disclosure through November 14, 2018, the date the consolidated financial statements were available to be issued. In connection with the development of CARITAS Center, numerous contracts for development and construction have been entered. In addition, the Organization is finalizing financing terms. Other than these items, there are no subsequent events to be reported in the accompanying consolidated financial statements.

16. Prior Period Adjustments – Correction of an Error:

During 2018, the Organization determined it did not properly capitalize expenses related to the development of the CARITAS Center as construction work in process during 2016 and 2017. Accordingly, in the accompanying consolidated financial statements, the previously reported 2017 beginning net assets and property and equipment balances were increased by $9,280 and the previously reported 2017 change in net assets was increased by $28,798 to reflect this restatement. The 2017 ending net assets and property and equipment balances were increased by $38,078 to reflect the cumulative impact of the error.

17. New Accounting Guidance:

Financial Reporting: In August 2016, FASB issued Accounting Standards Update ("ASU") No. 2016-14, "Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities", which both simplifies certain aspects of reporting required by not-for-profit organizations and increases disclosures with a goal to improve the usefulness of not-for-profit financial statements to the various stakeholders, including management, directors, lenders, and donors. Significant changes include the following:

- Replaces the existing three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) with two new classes of net assets—net assets with donor restrictions and net assets without donor restrictions

- Requires all not-for-profits to provide expenses by nature and function

- Requires expansive disclosures (both quantitative and qualitative) of information about liquidity and availability of resources

The amendments in this ASU are effective for fiscal years beginning after December 15, 2017 with early adoption permitted. The Organization plans to adopt this ASU as of the required transition date.

17. New Accounting Guidance, Continued:

Revenue Recognition: In 2014, the FASB issued ASU 2014-09 which defines a five step process to ensure revenue is recognized when a customer has control over a good or service. The standard also requires enhanced disclosures in the financial statements including both qualitative and quantitative information, significant judgments involved in the process, and the amount and timing of performance obligations. The standard is effective for private companies for fiscal years beginning after December 15, 2018, with early adoption permitted. The Organization is currently evaluating the implications of this new standard.

Leases: In February 2016, the FASB issued ASU 2016-02 “Leases”, which requires that all leasing activity with initial terms in excess of twelve months be recognized on the statement of financial position with a right of use asset and a lease liability. The standard will require entities to classify leases as either a finance, or operating lease based upon the contractual terms. The standard is effective for private companies for fiscal years beginning after December 15, 2019, with early adoption permitted. The Organization is current evaluating the implications of this new standard.

SUPPLEMENTAL INFORMATION

CARITAS

Consolidating Schedule – Statement of Financial Position
June 30, 2018

Assets	CARITAS	CARITAS Structure, Inc.	CARITAS Center, LLC	CARITAS Center Tenant, LLC	Consolidating Entries	Consolidated
Current assets:						
Cash and cash equivalents	$ 1,023,048	$ 910	$ 28,770	$ 2,000	$ -	$ 1,054,728
Unconditional promises to give, current	2,256,296	-	-	-	-	2,256,296
Investments in marketable securities	5,281,267	-	-	-	-	5,281,267
Inventory	96,685	-	-	-	-	96,685
Prepaid expenses	14,916	-	-	-	-	14,916
Due from related party	2,810,136	-	-	8,000	(2,818,136)	-
Deposits	15,065	-	5,000	-	-	20,065
Total current assets	11,497,413	910	33,770	10,000	(2,818,136)	8,723,957
Property and equipment, net	2,386,329	-	3,062,040	-	-	5,448,369
Other assets:						
Unconditional promises to give, net of current portion and discount	2,786,113	-	-	-	-	2,786,113
Investment in CARITAS Structure, Inc.	117,412	-	-	-	(117,412)	-
Investment in CARITAS Center, LLC	-	2,925,638	-	-	(2,925,638)	-
Investment in CARITAS Center Tenant, LLC	-	9,000	-	-	(9,000)	-
Beneficial interest in assets held at The Community Foundation	671,145	-	-	-	-	671,145
Total other assets	3,574,670	2,934,638	-	-	(3,052,050)	3,457,258
Total assets	$ 17,458,412	$ 2,935,548	$ 3,095,810	$ 10,000	$ (5,870,186)	$ 17,629,584

See report of independent accountants.

CARITAS

Consolidating Schedule – Statement of Financial Position, Continued
June 30, 2018

Liabilities and Net Assets	CARITAS	CARITAS Structure, Inc.	CARITAS Center, LLC	CARITAS Center Tenant, LLC	Consolidating Entries	Consolidated
Current liabilities:						
Accounts payable and accrued expenses	$ 104,788	$ -	$ 169,172	$ -	$ -	$ 273,960
Funds held for others	40,283	-	-	-	-	40,283
Due to related party	-	2,818,136	-	-	(2,818,136)	-
Current portion of capital lease obligation	15,514	-	-	-	-	15,514
Total current liabilities	160,585	2,818,136	169,172	-	(2,818,136)	329,757
Non-current liabilities:						
Capital lease obligation, net of current portion	23,715	-	-	-	-	23,715
Total liabilities	184,300	2,818,136	169,172	-	(2,818,136)	353,472
Net assets / equity:						
Unrestricted:						
Undesignated - available for general activities	6,862,894	117,412	2,925,638	9,000	(3,052,050)	6,862,894
Board designated for an operating reserve	215,000	-	-	-	-	215,000
Board designated - assets held at The Community Foundation	626,805	-	-	-	-	626,805
	7,704,699	117,412	2,925,638	9,000	(3,052,050)	7,704,699
Temporarily restricted	9,500,815	-	-	-	-	9,500,815
Permanently restricted	68,598	-	-	-	-	68,598
Total controlling interest in net assets/equity	17,274,112	117,412	2,925,638	9,000	(3,052,050)	17,274,112
Non-controlling interest	-	-	1,000	1,000	-	2,000
Total net assets/equity	17,274,112	117,412	2,926,638	10,000	(3,052,050)	17,276,112
Total liabilities and net assets/equity	$ 17,458,412	$ 2,935,548	$ 3,095,810	$ 10,000	$ (5,870,186)	$ 17,629,584

See report of independent accountants.

CARITAS

Consolidating Schedule – Statement of Activities
Year Ended June 30, 2018

	CARITAS	CARITAS Structure, Inc.	CARITAS Center, LLC	CARITAS Center Tenant, LLC	Consolidating Entries	Consolidated Total
Revenue and support:						
Grants and contributions:						
Capital campaign for the CARITAS Center	$ 8,633,814	$ -	$ -	$ -	$ -	$ 8,633,814
Congregations, individuals and business	1,159,454	-	-	-	-	1,159,454
Foundations	643,539	-	-	-	-	643,539
In-kind contributions	661,648	-	-	-	-	661,648
Government funding	819,822	-	-	-	-	819,822
United Way Service	193,787	-	-	-	-	193,787
AmeriCorps	228,709	-	-	-	-	228,709
Program fees	425,746	-	-	-	-	425,746
Special event income	73,630	-	-	-	-	73,630
Special projects revenue	145,328	-	-	-	-	145,328
Miscellaneous revenue	28,781	-	-	-	32,588	61,369
Change in value of beneficial interest in assets held at The Community Foundation	47,775	-	-	-	-	47,775
Rental income	26,462	-	-	-	-	26,462
Realized gain on sale of investments	19,765	-	-	-	-	19,765
Unrealized gain on investments	21,210	-	-	-	-	21,210
Gain on sale of equipment	3,360	-	-	-	-	3,360
Interest income	32,498	-	-	-	(32,498)	-
Investment income	37,890	-	-	-	-	37,890
Total revenue and support	13,203,218	-	-	-	90	13,203,308
Program services	3,733,309	-	-	-	-	3,733,309
Management and general	383,835	32,588	-	-	(32,498)	383,925
Fundraising	298,746	-	-	-	-	298,746
Total expenses	4,415,890	32,588	-	-	(32,498)	4,415,980
Change in net assets	8,787,328	(32,588)	-	-	32,588	8,787,328
Controlling interest in net assets, beginning of year, as restated (see Note 16)	8,486,784	-	-	-	-	8,486,784
Equity contributions	-	150,000	2,925,638	9,000	(3,084,638)	-
Total controlling interest in net assets, end of year, before non-controlling interest	17,274,112	117,412	2,925,638	9,000	(3,052,050)	17,274,112
Non-controlling interest, end of year	-	-	1,000	1,000	-	2,000
Total net assets/equity, end of year	$17,274,112	$ 117,412	$ 2,926,638	$ 10,000	$ (3,052,050)	$ 17,276,112

See report of independent accountants.