

**CATHOLIC CHARITIES, INC. - ARCHDIOCESE OF HARTFORD  
AND SUBSIDIARY**

Independent Auditors' Report

Consolidated Financial Statements

June 30, 2023 and 2022



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**CATHOLIC CHARITIES, INC. - ARCHDIOCESE OF HARTFORD  
AND SUBSIDIARY**

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June 30, 2023 and 2022

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of  
Catholic Charities, Inc. - Archdiocese of Hartford

### ***Opinion***

We have audited the accompanying consolidated financial statements of Catholic Charities, Inc. - Archdiocese of Hartford (a nonprofit organization) and Subsidiary which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Catholic Charities, Inc. - Archdiocese of Hartford and Subsidiary as of June 30, 2023 and 2022, 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Catholic Charities, Inc. - Archdiocese of Hartford and Subsidiary 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, Inc. - Archdiocese of Hartford and Subsidiary's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditors' 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 auditors' 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 generally accepted auditing

standards 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 generally accepted auditing standards, 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, Inc. - Archdiocese of Hartford and Subsidiary's 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, Inc. - Archdiocese of Hartford and Subsidiary's 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.

A handwritten signature in black ink that reads "Whittlesey PC". The signature is written in a cursive, flowing style.

Hartford, Connecticut  
October 19, 2023

**CATHOLIC CHARITIES, INC. - ARCHDIOCESE OF HARTFORD  
AND SUBSIDIARY**

Consolidated Statements of Financial Position

June 30, 2023 and 2022

	2023	2022
<b>Assets</b>		
Cash and cash equivalents	\$ 4,410,781	\$ 4,347,340
Restricted cash	216,208	187,224
Grants receivable	2,811,245	3,158,337
Accounts receivable, net of allowance	112,534	148,003
Deposits and prepaid expenses	323,262	229,480
Investments	9,538,648	9,140,909
Property and equipment, net	7,886,491	8,616,062
Operating lease right-of-use assets	495,860	-
Finance lease right-of-use asset	141,404	-
	<u>\$ 25,936,433</u>	<u>\$ 25,827,355</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 2,127,377	\$ 1,682,661
Grants payable	232,464	409,722
Reserve for self-funded unemployment insurance	78,480	122,419
Refundable advances	1,755,555	1,791,376
Notes payable, net	2,249,048	2,334,394
Accrued pension liability	2,312,142	2,664,306
Operating lease liabilities	500,015	-
Finance lease liability	167,700	178,739
	<u>9,422,781</u>	<u>9,183,617</u>
<b>Net Assets</b>		
Without donor restrictions:		
Undesignated	4,827,496	4,595,258
Board designated endowment	5,039,612	4,760,016
Net investment in property and equipment	5,637,443	6,102,929
	<u>15,504,551</u>	<u>15,458,203</u>
Total net assets without donor restrictions	15,504,551	15,458,203
With donor restrictions	1,009,101	1,185,535
	<u>16,513,652</u>	<u>16,643,738</u>
Total net assets	16,513,652	16,643,738
Total liabilities and net assets	<u>\$ 25,936,433</u>	<u>\$ 25,827,355</u>

The accompanying notes are an integral part of the consolidated financial statements.

**CATHOLIC CHARITIES, INC. - ARCHDIOCESE OF HARTFORD AND SUBSIDIARY**

**Consolidated Statements of Activities**

For the years ended June 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues and support:						
Grants and contracts from government agencies Archdiocese of Hartford (including \$509,640 and \$509,631 of in-kind, respectively)	\$ 21,099,731	\$ -	\$ 21,099,731	\$ 18,415,260	\$ -	\$ 18,415,260
Hartford Bishops' Foundation	2,309,640	100,000	2,409,640	2,309,631	100,000	2,409,631
Contributions and private grants	1,898,994	84,423	1,983,417	1,881,096	47,861	1,928,957
Program service fees	2,060,427	-	2,060,427	2,360,234	-	2,360,234
Special events	80,300	-	80,300	82,050	-	82,050
Interest and dividends, net of fees	224,338	-	224,338	139,201	-	139,201
Other	146,947	-	146,947	44,683	-	44,683
Net assets released from program restrictions	379,586	(379,586)	-	387,957	(387,957)	-
Total operating revenues and support	<u>28,199,963</u>	<u>(95,163)</u>	<u>28,104,800</u>	<u>25,620,112</u>	<u>(140,096)</u>	<u>25,480,016</u>
Operating expenses:						
Program services	24,485,927	-	24,485,927	21,566,499	-	21,566,499
Management and general	4,332,892	-	4,332,892	3,932,750	-	3,932,750
Fundraising and development	417,542	-	417,542	382,744	-	382,744
Total operating expenses	<u>29,236,361</u>	<u>-</u>	<u>29,236,361</u>	<u>25,881,993</u>	<u>-</u>	<u>25,881,993</u>
Change in net assets from operating activities	<u>(1,036,398)</u>	<u>(95,163)</u>	<u>(1,131,561)</u>	<u>(261,881)</u>	<u>(140,096)</u>	<u>(401,977)</u>
Other changes in net assets:						
Bequests	213,625	-	213,625	-	-	-
Unrealized gain/(loss) on investments	216,011	-	216,011	(937,693)	-	(937,693)
Realized gain on investments	165,619	-	165,619	301,793	-	301,793
Gain on disposal of property	240,229	-	240,229	129,400	-	129,400
Pension changes other than service cost	165,991	-	165,991	(1,781,942)	-	(1,781,942)
Net assets released from restrictions for capital grants	81,271	(81,271)	-	97,556	(97,556)	-
Net other changes in net assets	<u>1,082,746</u>	<u>(81,271)</u>	<u>1,001,475</u>	<u>(2,190,886)</u>	<u>(97,556)</u>	<u>(2,288,442)</u>
Change in net assets	46,348	(176,434)	(130,086)	(2,452,767)	(237,652)	(2,690,419)
Net assets, beginning of year	15,458,203	1,185,535	16,643,738	17,910,970	1,423,187	19,334,157
Net assets, end of year	<u>\$ 15,504,551</u>	<u>\$ 1,009,101</u>	<u>\$ 16,513,652</u>	<u>\$ 15,458,203</u>	<u>\$ 1,185,535</u>	<u>\$ 16,643,738</u>

The accompanying notes are an integral part of the consolidated financial statements.

**CATHOLIC CHARITIES, INC. - ARCHDIOCESE OF HARTFORD  
AND SUBSIDIARY**

**Consolidated Statement of Functional Expenses**

For the year ended June 30, 2023

	Program Services	Management and General	Fundraising and Development	Total
Salaries and related expenses:				
Salaries	\$ 14,033,796	\$ 2,004,402	\$ 196,308	\$ 16,234,506
Employee benefits	2,044,654	683,157	47,776	2,775,587
Payroll taxes	1,083,920	153,662	15,218	1,252,800
Total salaries and related expenses	<u>17,162,370</u>	<u>2,841,221</u>	<u>259,302</u>	<u>20,262,893</u>
Other expenses:				
Professional fees and contract services	1,637,886	351,863	30,000	2,019,749
Occupancy	2,091,513	209,151	23,239	2,323,903
Program and office supplies	1,089,457	16,690	682	1,106,829
Rental and maintenance of equipment	468,834	305,661	8,180	782,675
Specific assistance	447,780	-	-	447,780
Travel	175,356	12,966	18	188,340
Information technology	94,616	13,517	1,729	109,862
Conferences, conventions and meetings	197,932	5,411	-	203,343
Interest	107,838	9,786	-	117,624
Membership dues and subscriptions	41,256	83,051	7,234	131,541
Program activities	163,539	-	-	163,539
Bank and service charges	16,918	204,474	697	222,089
Miscellaneous	14,036	9,850	36,648	60,534
Advertising	106,548	43,815	7,399	157,762
Special events	-	-	36,277	36,277
Printing and publications	5,455	1,598	3,543	10,596
Postage	4,860	7,879	2,594	15,333
Bad debt	80,413	-	-	80,413
Total other expenses	<u>6,744,237</u>	<u>1,275,712</u>	<u>158,240</u>	<u>8,178,189</u>
Total expenses before depreciation	23,906,607	4,116,933	417,542	28,441,082
Depreciation and amortization	<u>579,320</u>	<u>215,959</u>	<u>-</u>	<u>795,279</u>
Total expenses	<u>\$ 24,485,927</u>	<u>\$ 4,332,892</u>	<u>\$ 417,542</u>	<u>\$ 29,236,361</u>

The accompanying notes are an integral part of the consolidated financial statements.

**CATHOLIC CHARITIES, INC. - ARCHDIOCESE OF HARTFORD  
AND SUBSIDIARY**

**Consolidated Statement of Functional Expenses**

For the year ended June 30, 2022

	Program Services	Management and General	Fundraising and Development	Total
Salaries and related expenses:				
Salaries	\$ 12,618,653	\$ 1,987,574	\$ 186,316	\$ 14,792,543
Employee benefits	1,655,606	615,680	40,809	2,312,095
Payroll taxes	910,041	135,921	14,074	1,060,036
Total salaries and related expenses	<u>15,184,300</u>	<u>2,739,175</u>	<u>241,199</u>	<u>18,164,674</u>
Other expenses:				
Professional fees and contract services	1,455,679	259,512	62,800	1,777,991
Occupancy	1,912,379	213,040	14,160	2,139,579
Program and office supplies	978,573	16,616	328	995,517
Rental and maintenance of equipment	545,044	214,297	6,848	766,189
Specific assistance	264,204	-	-	264,204
Travel	177,869	9,675	40	187,584
Information technology	88,023	11,315	1,489	100,827
Conferences, conventions and meetings	97,730	2,125	-	99,855
Interest	107,981	129	-	108,110
Membership dues and subscriptions	41,191	51,446	7,313	99,950
Program activities	63,674	-	-	63,674
Bank and service charges	6,960	168,361	116	175,437
Miscellaneous	670	4,540	13,392	18,602
Advertising	30,192	61,019	8,181	99,392
Special events	187	77	19,035	19,299
Printing and publications	5,043	1,689	4,613	11,345
Postage	6,207	8,425	3,230	17,862
Bad debt	21,608	-	-	21,608
Total other expenses	<u>5,803,214</u>	<u>1,022,266</u>	<u>141,545</u>	<u>6,967,025</u>
Total expenses before depreciation	20,987,514	3,761,441	382,744	25,131,699
Depreciation and amortization	<u>578,985</u>	<u>171,309</u>	<u>-</u>	<u>750,294</u>
Total expenses	<u>\$ 21,566,499</u>	<u>\$ 3,932,750</u>	<u>\$ 382,744</u>	<u>\$ 25,881,993</u>

The accompanying notes are an integral part of the consolidated financial statements.



**CATHOLIC CHARITIES, INC. - ARCHDIOCESE OF HARTFORD  
AND SUBSIDIARY**

Consolidated Statements of Cash Flows

For the years ended June 30, 2023 and 2022

	2023	2022
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (130,086)	\$ (2,690,419)
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation and amortization	795,279	750,294
Unrealized and realized (gain)/loss on investments	(381,630)	635,900
Bad debt	80,413	21,608
Gain on disposal of property	(240,229)	(129,400)
Reduction in carrying amount of operating lease right-of-use asset	266,804	-
(Increase)/decrease in assets:		
Grants receivable	347,092	(1,024,671)
Accounts receivable, net of allowance	(44,944)	(44,832)
Deposits and prepaid expenses	(93,782)	4,812
Increase/(decrease) in liabilities:		
Accounts payable and accrued liabilities	444,716	350,654
Grants payable	(177,258)	(147,384)
Reserve for self-funded unemployment insurance	(43,939)	(139,944)
Refundable advances	(35,821)	346,044
Accrued pension liability	(352,164)	1,668,817
Operating lease liabilities	(252,464)	-
Net change in cash from operating activities	181,987	(398,521)
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(248,416)	(452,838)
Sales of property and equipment	278,071	218,067
Proceeds from the sale of investments	213,127	270,365
Purchases of investments	(229,236)	(1,178,185)
Net change in cash from investing activities	13,546	(1,142,591)
<b>Cash flows from financing activities:</b>		
Repayment of notes payable and finance lease liability	(103,108)	(100,793)
Net change in cash from financing activities	(103,108)	(100,793)
Net change in cash and cash equivalents	92,425	(1,641,905)
Cash, cash equivalents and restricted cash, beginning of year	4,534,564	6,176,469
Cash, cash equivalents and restricted cash, end of year	\$ 4,626,989	\$ 4,534,564

The accompanying notes are an integral part of the consolidated financial statements.

**CATHOLIC CHARITIES, INC. - ARCHDIOCESE OF HARTFORD  
AND SUBSIDIARY**

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

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**NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION:**

Catholic Charities, Inc. - Archdiocese of Hartford (“Catholic Charities”) is a non-profit, professional guidance and counseling service for individuals, families and their children. Services are provided to anyone, regardless of age, race, religion, ethnic origin, sex or financial circumstances. Catholic Charities provides its services throughout the Archdiocese of Hartford, Connecticut.

The financial statements reflect the transactions of Catholic Charities, Inc. - Archdiocese of Hartford, and Catholic Charities Institute for the Hispanic Family Association, Inc. including all of their respective offices and programs. All significant intercompany accounts and transactions have been eliminated.

Catholic Charities Institute for the Hispanic Family Association, Inc. (“Condo Association”) is a wholly owned subsidiary of Catholic Charities, which owns the facility that houses the Institute for the Hispanic Family program.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Under these standards, Catholic Charities is required to report information regarding its financial position and activities according to two classes of net assets, as follows:

*Net assets without donor restrictions* - Net assets that are not subject to donor-imposed stipulations, but which may be designated for specific purposes by Catholic Charities’ board of directors.

*Net assets with donor restrictions* - Net assets subject to donor-imposed stipulations that expire by the passage of time, can be fulfilled by actions pursuant to the stipulations, or which may be perpetual.

Donor Restricted Endowment Funds

Catholic Charities follows the FASB Accounting Standards Codification (“ASC”) disclosure requirements for reporting donor-restricted endowment funds that relate to net asset classification of funds subject to the Uniform Prudent Management of Institutional Funds Act and include enhanced disclosures for the endowment funds.

Catholic Charities utilizes a spending policy that should preserve the real (inflation-adjusted) value of the endowment fund assets over the long term, focus more clearly on total return (asset growth and income combined) and increase the predictability of distribution levels. The annual distribution from the endowment funds will be calculated as a percentage of its asset base. It is determined that Catholic Charities will spend 5% of a 24-quarter trailing average of its asset values. Transfers made in accordance with the aforementioned spending policy amounted to \$168,000 and \$237,480 for the years ended June 30, 2023 and 2022, respectively.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

### Cash Equivalents

All short-term, highly liquid investments that have original maturity dates of three months or less are considered cash equivalents.

### Concentration of Credit Risk

Catholic Charities maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. Catholic Charities has not experienced any losses in its cash accounts.

### Restricted Cash

The following table indicates the various restrictions on cash held by Catholic Charities, and also provides a reconciliation of cash and cash equivalents and restricted cash reported within the consolidated statements of financial position that sums to the total of the same amounts shown in the consolidated statements of cash flows.

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 4,410,781	\$ 4,347,340
Restricted cash:		
CHEFA reserves and debt service escrow	113,163	112,253
Group home client funds held in escrow	103,045	74,971
Total restricted cash	<u>216,208</u>	<u>187,224</u>
Total cash, cash equivalents and restricted cash shown in the statements of cash flows	<u>\$ 4,626,989</u>	<u>\$ 4,534,564</u>

### Fair Value Measurements

Catholic Charities adopted the requirements of the *Fair Value Measurements and Disclosures* topic of the FASB ASC 820. *Fair Value Measurements and Disclosures* defines fair value and establishes a framework for measuring fair value in generally accepted accounting principles. Fair value is defined as the exchange price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity. In addition, the fair value of liabilities should include consideration of non-performance risk including Catholic Charities' own credit risk.

In addition to defining fair value, *Fair Value Measurements and Disclosures* expands the disclosure requirements around fair value and establishes a fair value hierarchy for valuation inputs. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. These levels are:

Level 1 - inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.

Level 2 - inputs are based upon quoted prices, other than those included in Level 1, that are either directly or indirectly observable for the assets or liabilities, including inputs in markets that are not considered to be active and investments in third party investment funds which may permit redemption at net asset value at the measurement date.

Level 3 - inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

### Fair Value Measurements (Continued)

Valuation techniques based on unobservable inputs are highly subjective and require judgments regarding significant matters such as the amount and timing of future cash flows and the selection of discount rates that may appropriately reflect market and credit risks. Changes in these judgments often have a material impact on the fair value estimates. In addition, since these estimates are as of a specific point in time, they are susceptible to material near-term changes.

### Accounts Receivable

Accounts receivable are related primarily to third-party billings and are stated at the amounts that management expect to collect from outstanding balances. An allowance for uncollectible accounts is maintained at a level adequate to absorb probable losses. Management determines the adequacy of the allowance based upon reviews of individual activity, recent loss experience, current economic conditions and other pertinent factors. The allowance for uncollectible accounts was \$66,188 and \$93,031 as of June 30, 2023 and 2022, respectively.

### Revenue Recognition

Catholic Charities has multiple revenue streams that are accounted for as reciprocal exchange transactions, including program service fees received from clients in exchange for counseling, education, childcare and other program services.

The contractual relationships with clients may involve a third-party payor such as Medicare, Medicaid, or a commercial insurance company, and the transaction prices for the services provided are dependent upon the terms negotiated with the third-party payors. Treatment program fees are reported at the amount that reflects the consideration to which Catholic Charities expects to be entitled in exchange for providing services. Catholic Charities determines transaction prices based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors and discounts provided to uninsured patients in accordance with Catholic Charities' policy. Catholic Charities determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. Agreements with third-party payors provide for payments at amounts less than established charges. The contracts Catholic Charities has with third-party payors also provide for retroactive audit and review of claims. Settlements with third-party payors for retroactive revenue adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and Catholic Charities' historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations.

Program service fees paid to Catholic Charities in advance represent contract liabilities and are recorded as deferred revenue. Amounts billed but unpaid are contract assets and recorded as accounts receivable.

Because Catholic Charities' performance obligations relate to contracts with a duration of less than one year, Catholic Charities has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a), *Revenue from Contracts with Customers*, and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. There are no incremental costs of obtaining a contract and no significant financing components.

## **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

### Grants and Government Contracts

Catholic Charities receives grant and contract funding from various government agencies and private foundations to provide a variety of program services to the public conditioned on specific requirements included in the agreements and/or incurring allowable qualifying expenses. These program services range from childcare and family programs to behavioral health and programs for the developmentally disabled. Such grants and contracts are nonreciprocal transactions and include conditions stipulated by the granting agencies and are, therefore, accounted for as conditional contributions. Revenues from such grants and contracts are recognized as conditions are satisfied, primarily as expenses are incurred.

### Grants Receivable

Grants receivable represent expenditures of funds in accordance with grant stipulations or fulfillment of contract terms for which reimbursement has not yet been received by the grantor agency. Catholic Charities believes all grants receivable are considered collectible, and therefore no allowance for uncollectible accounts has been established.

### Refundable Advances

Cash received on conditional contributions prior to incurring allowable expenses are recorded as refundable advances upon receipt. In addition, the State of Connecticut Department of Developmental Services has provided cash advances to Catholic Charities which are refundable upon request.

### Conditional Promises to Give

At June 30, 2023 and 2022, Catholic Charities had multi-year commitments of conditional grants and contracts of approximately \$11.8 million and \$18.8 million, respectively, from federal, state and private funding sources that have not been recognized pending fulfillment of conditions associated with the awards. Of these amounts at June 30, 2023 and 2022, respectively, \$8.5 million and \$11.6 million is a multi-year contract with the Connecticut Department of Developmental Services through June 30, 2025, and \$0.4 million and \$3.1 million is a multi-year contract with the U.S. Department of Health and Human Services for the Certified Community Behavioral Health Clinic through August 30, 2024. Such grants are conditional upon compliance with the terms of the grant agreements, including incurring qualified program expenses.

### Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support with donor restrictions that increases net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Conditional contributions – that is, those with a measurable performance or other barrier and a right of return – are not recognized as revenue until the conditions on which they depend are substantially met.

### Donated Materials, Services and Use of Facilities

Donated materials, services, and use of facilities, when significant, are reflected at their appraised or estimated value. Catholic Charities recognizes contributions of services received if such services: (a) create or enhance nonfinancial assets (b) require specialized skills (c) are provided by individuals possessing those skills, and (d) would typically need to be purchased if not contributed. A substantial number of volunteers have donated significant amounts of time to Catholic Charities' activities and its fundraising events. The value of this contributed time cannot be reasonably estimated and is not reflected in the accompanying consolidated financial statements since it does not meet recognition criteria. See Note 6 for information regarding valuation of in-kind contributions.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

Property and Equipment

Property and equipment purchased for \$5,000 and greater are capitalized at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Amortization of leasehold improvements has been provided on the straight-line method over the shorter period of the lease term or the estimated life of the assets. Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the year. The following are useful lives of the assets:

	<u>Number of Years</u>
Buildings	30 - 40
Leasehold and building improvements	5 - 30
Automobiles	2 - 5
Office equipment	3 - 8
Furniture	5 - 10

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Expense Allocation

The costs of providing program and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis. Compensation is allocated based upon full-time equivalents. Occupancy costs are allocated based on either square footage, estimated square footage, or head count. All other costs are allocated directly to the benefitting program or supporting service.

Federal and State Income Taxes

Catholic Charities is exempt from Federal income taxation under Section 501(c)(3) of the Internal Revenue Code. Catholic Charities is also exempt from state income taxes.

Subsequent Events

Catholic Charities monitored and evaluated any subsequent events for footnote disclosures or adjustments required in its financial statements for the year ended June 30, 2023 through October 19, 2023, the date on which financial statements were available to be issued.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**New Accounting Pronouncement

In February 2016, the FASB issued Accounting Standard Update (“ASU”) No. 2016-02, Leases (Topic 842). The amendments in this update require lessees to recognize, on the statement of financial position, assets and liabilities for the rights and obligations created by leases. The guidance was effective for Catholic Charities on July 1, 2022. The adoption requires either a modified retrospective transition where the lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented, or a cumulative effect adjustment as of the date of adoption. Catholic Charities adopted this new guidance on July 1, 2022, and as a result, recorded operating lease right-of-use assets and lease liabilities of approximately \$760,000 through a cumulative effect adjustment as of that date. For property under a finance lease (previously termed a capital lease), Catholic Charities also reclassified approximately \$155,000 of property and equipment, net of accumulated depreciation, as a finance lease right-of-use asset as of the adoption date. In July 2018, the FASB issued ASU No. 2018-11, which provided a practical expedient package for lessees. Catholic Charities elected to use the expedient package and did not reassess whether any existing contracts contain leases; did not reassess the lease classification for existing leases; and did not reassess initial direct costs for any existing leases.

**NOTE 3 - SUPPLEMENTARY CASH FLOW INFORMATION:**

	<u>2023</u>	<u>2022</u>
Supplementary disclosure of cash paid for:		
Interest	<u>\$ 117,624</u>	<u>\$ 108,110</u>
Amounts included in the measurement of lease liabilities:		
Operating cash flows from finance lease (i.e. interest)	<u>8,923</u>	N/A
Financing cash flows from finance lease (i.e. principal portion)	<u>12,677</u>	N/A
Operating cash flows from operating leases	<u>300,123</u>	N/A
Supplementary disclosure of noncash items:		
Operating lease right-of-use assets upon ASC 842 implementation	<u>\$ 762,664</u>	N/A

**NOTE 4 - RELATED PARTIES:**

Catholic Charities is affiliated with the Archdiocese of Hartford and the Hartford Bishops’ Foundation. These organizations provide economic assistance to Catholic Charities, and personnel from these organizations serve as members of the Catholic Charities Board of Trustees. The Archdiocese provided operational support to Catholic Charities in the amount of \$2,409,640 and \$2,409,631 for the years ended June 30, 2023 and 2022, respectively. These amounts include \$509,640 and \$509,631 for in-kind contribution of rent for use of buildings owned by the Archdiocese for the years ended June 30, 2023 and 2022, respectively. The Hartford Bishops’ Foundation provided operational support to Catholic Charities in the amount of \$100,000 for each of the years ended June 30, 2023 and 2022.

Catholic Charities provided case management services to benefit residents of Cathedral Green, Inc. and Xavier Plaza, pursuant to a contract with the State of Connecticut Department of Mental Health and Addiction Services. Diocesan personnel are on the Boards of both Catholic Charities and Cathedral Green. Total expenses matched by grant revenues were \$294,878 and \$226,198 for this program for the years ended June 30, 2023 and 2022, respectively.

**NOTE 5 - LIQUIDITY AND AVAILABILITY OF RESOURCES:**

Catholic Charities structures its financial assets into four investment pools for the purposes of managing investment risk and to optimize investment returns within acceptable parameters. These pools are Operating Reserves, Short-Term Reserves, Intermediate Reserves and Endowment Fund. The purpose of the Operating Reserves is to provide sufficient cash to meet the day-to-day financial obligations (i.e. accounts payable, payroll) of the agency. The purpose of the Short-Term Reserves is to meet the expenses occurring as a result of unanticipated activities in the agency. The purpose of the Intermediate Reserves is to provide investment income that could either be used for: operational needs if necessary; or, re-invested to provide additional capital growth.

The purpose of the Endowment Fund is to provide ongoing funding for Catholic Charities. A distribution policy established by the Board of Trustees allows Catholic Charities to use 5% of the previous 24 quarter average for operational needs. Catholic Charities also maintains certain custodial accounts with restricted purposes.

In accordance with the terms of a grant award from the Department of Economic and Community Development for Groton Street Campus renovations in Hartford, Catholic Charities must maintain collateral of \$682,500. This amount is held in investments, and accordingly is reflected in the schedule below as investments restricted by contractual requirements.

Catholic Charities' financial assets available to meet cash needs for general expenditures within twelve months of June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 4,410,781	\$ 4,347,340
Grants receivable	2,811,245	3,158,337
Accounts receivable, net of allowance	112,534	148,003
Investments	<u>9,538,648</u>	<u>9,140,909</u>
Total financial assets	<u>16,873,208</u>	<u>16,794,589</u>
Less amounts not available to used within twelve months:		
Investments restricted by contractual requirements	(682,500)	(682,500)
Board-designated endowment	(5,039,612)	(4,760,016)
Net assets with donor restrictions	<u>(1,009,101)</u>	<u>(1,185,535)</u>
Total financial assets available to meet cash needs for general expenditures within twelve months	<u>\$ 10,141,995</u>	<u>\$ 10,166,538</u>



**NOTE 6 - IN-KIND CONTRIBUTIONS:**

In-kind contributions of use of facilities and nonfinancial assets were recorded under the following categories on the consolidated statements of functional expenses for the years ended June 30,:

	<u>2023</u>	<u>2022</u>
Occupancy:		
Donated use of facilities	\$ 509,640	\$ 509,631
Conferences, conventions and meetings:		
Soccer tickets	25,500	16,800
Specific assistance:		
Food bank credit	<u>-</u>	<u>781</u>
Totals	<u>\$ 535,140</u>	<u>\$ 527,212</u>

Donated use of facilities is recorded at estimated fair value based on prevailing market rates of comparable facilities. Catholic Charities uses the donated facilities for administrative office space and for various programs. Contributed nonfinancial assets are recorded at fair market value. Contributed soccer tickets were used to provide a benefit to employees. The contributed food bank credit was used to benefit program clients.

For the years ended June 30, 2023 and 2022, revenue of \$509,640 and \$509,631, respectively, representing the value of donated facilities from the Archdiocese of Hartford is included in Archdiocese of Hartford revenue, and revenue of \$25,500 and \$17,581 representing the value of contributed nonfinancial assets is included in contributions and private grants revenue on the consolidated statements of activities.

**NOTE 7 – INVESTMENTS:**

The following investments are measured at fair value and are classified as Level 1 investments, except for the interest in Archdiocese of Hartford Investment Trust, which is measured at net asset value (“NAV”). The following represents fair value of marketable securities at June 30,:

	<u>2023</u>	<u>2022</u>
Investments measured at Level 1:		
Cash and cash equivalents	\$ 375,908	\$ 645,022
Certificates of deposit	738,710	734,319
Corporate bonds	2,425,664	2,090,063
Mutual funds/CEF/UIT	-	2,187
Equities	<u>1,026,278</u>	<u>783,230</u>
Total investments measured at Level 1	<u>4,566,560</u>	<u>4,254,821</u>
Common collective trusts measured at NAV:		
Fixed income	1,103,280	1,213,497
Large cap	1,688,673	1,655,874
SCC index	360,191	449,483
International	632,121	653,581
Alternative	<u>1,187,823</u>	<u>913,653</u>
Total common collective trusts	<u>4,972,088</u>	<u>4,886,088</u>
Totals	<u>\$ 9,538,648</u>	<u>\$ 9,140,909</u>

**NOTE 7 – INVESTMENTS (CONTINUED) :**

The following is a description of the valuation methodologies used for assets measured at fair value:

*Certificates of deposit* - valued using observable quoted prices for identical assets in active markets.

*Corporate bonds* - valued at the closing price reported on the active market on which the individual securities are traded.

*Equity funds* - valued using observable quoted prices for identical assets in active markets.

*Common collective trusts* - funds held in the Archdiocese of Hartford Investment Trust are valued as a practical expedient utilizing the net asset value of shares held by Catholic Charities. The use of NAV as fair value is deemed appropriate as the collective trust does not have a finite life or unfunded commitments relating to these types of investments. The practical expedient is used for valuation, unless it is probable that the funds will sell a portion of the investment at an amount different from the net asset valuation.

The following tables summarize investments measured at fair value based on NAV per share as of June 30, 2023 and 2022:

June 30, 2023	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Interest in Archdiocese of Hartford Investment Trust	\$ 4,972,088	N/A	Quarterly	Quarterly

  

June 30, 2022	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Interest in Archdiocese of Hartford Investment Trust	\$ 4,886,088	N/A	Quarterly	Quarterly

**NOTE 8 - PROPERTY AND EQUIPMENT:**

The cost and accumulated depreciation of property and equipment are as follows at June 30,:

	2023	2022
Land and buildings	\$ 8,359,540	\$ 8,862,522
Leasehold and building improvements	5,432,517	5,430,453
Automobiles	416,913	406,271
Office equipment	1,158,225	1,153,411
Furniture	70,768	62,879
Total cost	15,437,963	15,915,536
Less: accumulated depreciation	(7,551,472)	(7,299,474)
Property and equipment, net	<u>\$ 7,886,491</u>	<u>\$ 8,616,062</u>

**NOTE 9 - CONCENTRATION OF REVENUES:**

Total grants and contracts from government agencies amounted to \$21,099,731 and \$18,415,260, respectively, for the years ended June 30, 2023 and 2022. These amounts represented 75% and 72% respectively, of total support and revenue received for the years ended June 30, 2023 and 2022.

Of the \$21,099,731 representing government funding in 2023, approximately 68% is comprised of grants from the following agencies: Connecticut Department of Developmental Services (34%), Connecticut Office of Early Childhood (20%), and the U.S. Department of Health and Human Services (14%). Of the \$18,415,260 representing government funding in 2022, approximately 72% is comprised of grants from the following agencies: Connecticut Department of Developmental Services (32%), Connecticut Office of Early Childhood (22%), and the U.S. Department of Health and Human Services (18%). If a reduction in the level of this support were to occur, there would be a significant impact on Catholic Charities' operations.

**NOTE 10 - SELF-FUNDED UNEMPLOYMENT INSURANCE:**

Employees are provided with unemployment benefits in the event of loss of employment. The future estimated liability was \$78,480 and \$122,419 at June 30, 2023 and 2022, respectively, which is based on the greater of 1% of salaries and wages or actual claims, and is adjusted for the value of claims processed during the year.

**NOTE 11 - REFUNDABLE ADVANCES:**

Refundable advances consist of the following at June 30,:

	<u>2023</u>	<u>2022</u>
Refundable advances - grants	\$ 1,270,899	\$ 1,306,720
United States Conference of Catholic Bishops - Cash Advances	27,250	27,250
Department of Developmental Services - Cash Advances	72,354	72,354
Department of Developmental Services - Bridge Funding	385,052	385,052
	<u>                    </u>	<u>                    </u>
Total refundable advances	<u>\$ 1,755,555</u>	<u>\$ 1,791,376</u>

**NOTE 12 - ENDOWMENT ASSETS:**

The following represents endowment assets and activity for the years ended June 30,:

	<u>Board-designated</u>	<u>Donor Restricted</u>	<u>Total</u>
Endowment assets, at July 1, 2021	\$ 5,351,417	\$ 159,156	\$ 5,510,573
Investment return, net	(356,390)	-	(356,390)
Amounts appropriated for expenditure	(235,011)	(2,469)	(237,480)
Endowment assets, at June 30, 2022	<u>4,760,016</u>	<u>156,687</u>	<u>4,916,703</u>
Investment return, net	447,596	-	447,596
Amounts appropriated for expenditure	(168,000)	-	(168,000)
Endowment assets, at June 30, 2023	<u>\$ 5,039,612</u>	<u>\$ 156,687</u>	<u>\$ 5,196,299</u>

**NOTE 13- NET ASSETS WITH DONOR RESTRICTIONS:**

Balances in net assets with donor restrictions are subject to the following purpose and time restrictions at June 30,:

	<u>2023</u>	<u>2022</u>
Family centers	\$ 73,907	\$ 77,190
Capital improvements	105,013	105,013
Basic human needs	393,308	433,946
Adoption	8,628	8,628
Behavioral health	33,705	33,705
Child development	49,750	76,136
Elder care and intergenerational	43,603	49,005
Learning and life skills program	-	19,454
Bonding grants from various state agencies for capital improvements subject to 10 year liens	301,187	382,458
	<u>\$ 1,009,101</u>	<u>\$ 1,185,535</u>

Net assets with donor restrictions were released for the following purposes during the years ended June 30,:

	<u>2023</u>	<u>2022</u>
Family centers	\$ 87,706	\$ 85,322
Capital improvements	-	16,285
Basic human needs	240,638	159,242
Adoption	-	2,469
Behavioral health	-	681
Child development	26,386	22,148
Elder care and intergenerational	5,402	-
Learning and life skills program	19,454	18,095
Manchester group homes	-	100,000
Bonding grants from various state agencies for capital improvements subject to 10 year liens	81,271	81,271
	<u>\$ 460,857</u>	<u>\$ 485,513</u>

**NOTE 14 - NOTES PAYABLE:**

Notes payable consist of the following at June 30,:

	<u>2023</u>	<u>2022</u>
\$2,555,000 note payable to Connecticut Health and Educational Facilities Authority ("CHEFA") to fund the construction of a building for the Institute for the Hispanic Family. Semi-annual installments of principal and accrued interest commenced on July 1, 2010. The note was refinanced effective April 2015. The debt issuance costs related to the refinance are \$210,000, and will be amortized over the life of the loan. In accordance with the loan agreement, principal payments will increase systematically, by various increments, over the life of the loan. Principal payments were \$85,000 for each of the years ended June 30, 2023 and 2022. The maturity date of the note is July 2038. Interest was at 5.0% for the years ended June 30, 2023 and 2022. The State of Connecticut Department of Social Services ("DSS") agreed to a debt service commitment equal to 80.8% of the principal and interest; debt service payments by DSS amounted to \$174,513 and \$171,638 for the years ended June 30, 2023 and 2022, respectively. CHEFA intercepts 19.2% of the balance of debt service payments from the City of Hartford School Readiness grant; the intercept amounted to \$33,506 and \$32,954 for the years ended June 30, 2023 and 2022, respectively. This note is collateralized by the related building in Hartford, CT.	\$ 1,950,000	\$ 2,035,000
\$455,318 note payable to Connecticut Housing Finance Authority to refinance the capital lease for the Worthington Ridge group home. Installments of principal and interest in the amount of \$1,919 are due monthly with a maturity date of February, 2051. The note bears interest at 3.0% per annum. This note is collateralized by the related building in Berlin, CT.	<u>432,688</u>	<u>442,579</u>
Total notes payable	2,382,688	2,477,579
Less: debt financing costs, net of amortization	<u>133,640</u>	<u>143,185</u>
Total notes payable, net	<u><u>\$ 2,249,048</u></u>	<u><u>\$ 2,334,394</u></u>

Future minimum principal payments are as follows for the years ending June 30,:

2024	\$	100,194
2025		105,504
2026		105,824
2027		106,153
2028		121,492
Thereafter		<u>1,843,521</u>
		<u><u>\$ 2,382,688</u></u>

**NOTE 15 - RETIREMENT PLANS:**Defined Benefit Pension Plan:

Catholic Charities had a defined benefit pension plan (the “Plan”) covering substantially all employees. The benefits are based on years of service and final average salary. Catholic Charities’ funding policy is to contribute to the Plan the annual actuarially required amounts. Contributions are intended to provide benefits based on both past and future service. All of the information presented is based on the most recent actuarial information available.

Freezing of the Plan:

The Plan was frozen effective June 30, 2008, and a new 403(b) benefit plan took effect July 1, 2008. The result of freezing the Plan is that no new employees will be added to the Plan and final average earnings will not include compensation earned by any participant after the date of the freeze. The assets of the Plan and the income earned on these assets will be used to fund current and future benefit payments.

	<u>2023</u>	<u>2022</u>
<u>Change in Projected Benefit Obligation:</u>		
Projected benefit obligation, beginning of year	\$ 10,806,912	\$ 11,226,411
Service cost	13,827	18,875
Interest cost	386,951	231,890
Change due to assumption changes	(61,886)	(332,496)
Actuarial loss	77,938	638,572
Benefits disbursed from plan assets (including expense charges)	(666,166)	(1,032,895)
Effects of settlement	-	56,555
Projected benefit obligation, end of year	<u>\$ 10,557,576</u>	<u>\$ 10,806,912</u>
<u>Change in Plan Assets:</u>		
Total fair value of plan assets, beginning of year	\$ 8,142,606	\$ 10,230,922
Actual return on Plan assets	568,994	(1,187,421)
Employer contributions	200,000	132,000
Benefits disbursed from Plan assets (including expense charges)	(666,166)	(1,032,895)
Total fair value of Plan assets, end of year	<u>\$ 8,245,434</u>	<u>\$ 8,142,606</u>
<u>Funded Status:</u>		
Actuarial present value of projected benefit obligation	\$ (10,557,576)	\$ (10,806,912)
Plan assets at fair value	<u>8,245,434</u>	<u>8,142,606</u>
Unfunded status	<u>\$ (2,312,142)</u>	<u>\$ (2,664,306)</u>

**NOTE 15 - RETIREMENT PLANS (CONTINUED):**

	<u>2023</u>	<u>2022</u>
<i>Amounts Recognized in the Consolidated Statements of Financial Position and Statements of Activities:</i>		
Liability for pension benefits at beginning of fiscal year before reflecting ASC Topic 715 adjustments	\$ 772,019	\$ 528,884
Net periodic pension cost	(306,711)	217,413
Contribution paid during the year	<u>200,000</u>	<u>132,000</u>
Liability for pension benefits at end of fiscal year before reflecting ASC Topic 715 adjustments	665,308	878,297
Settlement loss	-	(106,278)
Net effect of adoption of recognition provisions of ASC Topic 715	<u>(2,977,450)</u>	<u>(3,436,325)</u>
Liability for pension benefits at end of fiscal year after reflecting adjustments for ASC Topic 715	<u><u>\$ (2,312,142)</u></u>	<u><u>\$ (2,664,306)</u></u>
<i>Components of Net Periodic Pension Benefits Cost:</i>		
Service cost (recognized in total operating expenses)	\$ 13,827	\$ 18,875
Interest cost	386,951	231,890
Actual return on Plan assets	(568,994)	1,187,421
Amortization of unrecognized net loss	397,669	152,570
Asset gain/(loss) deferred	<u>77,258</u>	<u>(1,808,169)</u>
Net periodic pension benefit cost	<u><u>\$ 306,711</u></u>	<u><u>\$ (217,413)</u></u>

*Reconciliation of Items Not Yet Reflected in Net Periodic Pension Benefit Cost:*

	<u>July 1, 2022</u>	<u>Reclassified as a Net Periodic Benefit Cost</u>	<u>Amounts Arising During Period</u>	<u>June 30, 2023</u>
Net (gain) or loss	\$ 3,436,325	(397,669)	(61,206)	\$ 2,977,450

*Assumptions Used for Determining Net Periodic Pension Benefit Cost:*

	<u>2023</u>	<u>2022</u>
Discount rate	4.00%	2.25%
Post retirement interest rate	5.50%	5.50%
Expected long-term return on plan assets	7.00%	7.00%

**NOTE 15 - RETIREMENT PLANS (CONTINUED):**

Catholic Charities' expected rate of return on Plan assets is determined by the Plan assets' historical long-term investment performance, current asset allocation and estimates of future long-term returns by asset class.

Plan Assets:

Catholic Charities' Pension Plan weighted-average asset allocations at June 30, 2023 and 2022, by asset category are as follows:

	<u>2023</u>	<u>2022</u>
Mutual Funds:		
Equity	58.00%	55.80%
Fixed income	41.40%	38.40%
General account	0.60%	5.80%
Total	<u>100.00%</u>	<u>100.00%</u>

Catholic Charities' investment policy is to manage the Plan with long-term objectives; with little concern for high current income or the need to maintain ready-cash reserves beyond those necessary to pay current benefits for the Plan; and with the intent to achieve the highest long-term rate of return practical without jeopardizing Catholic Charities' funding policy or creating undue funding volatility.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2023.

*Registered Investment Companies (Mutual Funds):* Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value ("NAV") and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

*Insurance Company General Account (Interest Accumulation Account):* Credited with contractual rate of return.

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

The fair values of Catholic Charities' Pension Plan assets, by asset class are as follows at June 30, 2023:

	<u>Total</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Interest accumulation account	<u>\$ 95,737</u>	<u>\$ 95,737</u>	<u>\$ -</u>	<u>\$ -</u>
Mutual Funds:				
Equity	4,739,488	4,739,488	-	-
Fixed income	3,410,209	3,410,209	-	-
Total mutual funds	<u>8,149,697</u>	<u>8,149,697</u>	<u>-</u>	<u>-</u>
Total investments, fair value	<u>\$ 8,245,434</u>	<u>\$ 8,245,434</u>	<u>\$ -</u>	<u>\$ -</u>



**NOTE 15 - RETIREMENT PLANS (CONTINUED):**

The fair values of Catholic Charities' Pension Plan assets, by asset class are as follows at June 30, 2022:

	<u>Total</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Interest accumulation account	<u>\$ 471,546</u>	<u>\$ 471,546</u>	<u>\$ -</u>	<u>\$ -</u>
Mutual Funds:				
Equity	4,547,763	4,547,763	-	-
Fixed income	<u>3,123,297</u>	<u>3,123,297</u>	<u>-</u>	<u>-</u>
Total mutual funds	<u>7,671,060</u>	<u>7,671,060</u>	<u>-</u>	<u>-</u>
Total investments, fair value	<u><u>\$ 8,142,606</u></u>	<u><u>\$ 8,142,606</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The following benefit payments that reflect expected future service, as appropriate, are expected to be paid:

<u>Fiscal Year End</u>	
2024	\$ 3,716,000
2025	1,113,000
2026	978,000
2027	731,000
2028	758,000
2029-2033	3,343,000

**Section 403(b) Defined Contribution Plan:**

Catholic Charities offers a 403(b) benefit plan. There is no minimum age requirement to make salary reduction contributions to this plan. The participant can enroll on the first day of the month coinciding with or immediately following the date of hire. Employees who are twenty one years of age, work twenty or more hours and completed at least one year of service are eligible to receive employer base contributions. The employer also makes an additional matching contribution to the Plan for eligible participants based on years of service, ranging from 3% to 6% for years of service less than five to greater than 15 years of service, respectively. In the year ended June 30, 2023, through stabilization funds provided by the Connecticut Department of Developmental Services, Catholic Charities made an additional one-time 403(b) contribution on behalf of its employees working under those agency programs. Total employer contributions for the years ended June 30, 2023 and 2022 were \$521,700 and \$261,204, respectively.

**Section 457(b) Deferred Compensation Plan:**

Catholic Charities also maintains a 457(b) nonqualified deferred compensation plan for highly compensated employees only. The plan investments totaled \$170,740 and \$116,073 as of June 30, 2023 and 2022, respectively, and are included in deposits and prepaid expenses on the consolidated statements of financial position with an offsetting liability included in accounts payable and accrued liabilities. Total employer contributions for the years ended June 30, 2023 and 2022 were \$36,093 and \$31,396, respectively.

**NOTE 16 - LEASES:**

Catholic Charities has entered into various operating leases for real estate, vehicles and office equipment, and a finance lease (formerly termed a capital lease) for real estate, with terms expected to expire in the year ended June 30, 2024 through 2033. Catholic Charities recognizes right-of-use assets representing the right to use an underlying asset for the lease term and lease liabilities representing the obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As Catholic Charities' leases do not provide an implicit rate, Catholic Charities uses a risk-free borrowing rate as of the commencement date in determining the present value of lease payments. The right-of-use asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that Catholic Charities will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Catholic Charities has lease agreements with lease and non-lease components (such as variable charges) and has elected to not separate lease and non-lease components, but rather to account for lease and non-lease components as a single combined lease component.

Lease expenses were as follows for each of the years ending June 30,:

	<u>2023</u>	<u>2022</u>
Finance lease expense		
Amortization of ROU assets	\$ 13,909	N/A
Interest on lease liabilities	9,706	N/A
Operating lease expense	329,832	260,116

The following reconciles the finance and operating lease liabilities as presented on the statements of financial position to the undiscounted cash flows due under the leases in each of the years ending June 30,:

	<u>Finance</u>	<u>Operating</u>
2024	\$ 21,600	\$ 291,978
2025	21,600	130,050
2026	21,600	85,548
2027	21,600	7,558
2028	21,600	-
Thereafter	111,600	-
Total undiscounted cash flows	<u>219,600</u>	<u>515,134</u>
Less: present value discount	(51,900)	(15,119)
Total lease liabilities	<u>\$ 167,700</u>	<u>\$ 500,015</u>

**NOTE 17 - COMMITMENTS AND CONTINGENCIES:**

Catholic Charities is, from time to time, subject to legal proceedings and claims that arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position of Catholic Charities.

Catholic Charities is subject to cost settlement procedures prescribed by state and federal agencies and other funding sources. During the fiscal year ended June 30, 2023, the Department of Social Services (“DSS”) completed an audit of claimed services rendered under the Medicaid Waiver Program by Catholic Charities for the period February 1, 2018 through January 31, 2020. As a result of the audit, DSS determined an overpayment had occurred and following review and negotiation, the amount of final disallowance was determined by DSS as \$185,417. Catholic Charities has recorded a liability in that amount, which will be recouped over a period of five years as deductions from Department of Development Services (“DDS”) monthly reimbursements over that period.

The CHEFA loan agreement requires that Catholic Charities maintain a renewal and replacement fund equal to two percent (2%) of annual revenues of the Institute for the Hispanic Family facility. The balance in the renewal and replacement fund held in custody by CHEFA was \$28,163 and \$27,253 as of June 30, 2023 and 2022, respectively.

In accordance with the terms of a grant award from the Department of Economic and Community Development for Groton Street Campus renovations in Hartford, Catholic Charities must maintain collateral of \$682,500. Catholic Charities maintains this collateral in a certificate of deposit. Furthermore, Catholic Charities covenants that the Groton Street Campus shall be used as a Youth Service Center for a period of 10 years, which ends in September 2026.

Catholic Charities is the recipient of bonding grants from various state agencies for the purpose of capital improvements. With these grants, Catholic Charities is required to maintain its operations for 10 years following the completion of all renovations to the specific location. If Catholic Charities is not in compliance with this and other restrictions, the State of Connecticut has the ability to request repayment of the funds on a percentage basis.

	Award Amount	Balance Remaining	Expiration Date
Department of Education	\$ 120,030	\$ 23,991	6/30/2026
Department of Social Services	250,000	100,000	6/30/2027
Department of Education	442,679	177,196	6/30/2027
	<u>\$ 812,709</u>	<u>\$ 301,187</u>	

The remaining balances above are included in net assets with donor restrictions and are being released from restrictions annually as the lien periods expire. See Note 13 for further information regarding net assets with donor restrictions and releases from restrictions.

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