

Consolidated Financial Statements and
Report of Independent Certified Public
Accountants

**Catholic Charities of Fairfield County, Inc. and
Affiliate**

June 30, 2020 and 2019

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
Catholic Charities of Fairfield County, Inc.

Report on the financial statements

We have audited the accompanying consolidated financial statements of Catholic Charities of Fairfield County, Inc. ("Catholic Charities"), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, 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.

Management's responsibility for the 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 of America; 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 of America. Those standards require that we plan and perform the audit 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 Catholic Charities' 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 Catholic Charities' 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.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Catholic Charities of Fairfield County, Inc. as of June 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Stamford, Connecticut
February 26, 2021

Catholic Charities of Fairfield County, Inc. and Affiliate
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 5,955,797	\$ 1,448,587
Investments - other	-	2,075,652
Accounts receivable, net	367,744	206,148
Loans receivable, net	94,881	-
Contributions receivable	152,000	51,230
Bequests receivable	10,000	21,089
Grants receivable	523,319	677,350
Due from Diocese of Bridgeport, net	186,981	988,616
Prepaid expenses	219,754	170,784
Property and equipment, net	<u>1,157,664</u>	<u>1,250,244</u>
Total assets	<u>\$ 8,668,140</u>	<u>\$ 6,889,700</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 135,443	\$ 1,651
Accrued expenses	645,975	887,919
Due to related entities	107,897	139,929
Refundable advances	203,314	348,632
Note payable	<u>1,204,000</u>	<u>-</u>
Total liabilities	<u>2,296,629</u>	<u>1,378,131</u>
Commitments and Contingencies		
NET ASSETS		
Without donor restrictions	3,406,400	3,487,679
With donor restrictions	<u>2,965,111</u>	<u>2,023,890</u>
Total net assets	<u>6,371,511</u>	<u>5,511,569</u>
Total liabilities and net assets	<u>\$ 8,668,140</u>	<u>\$ 6,889,700</u>

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

Catholic Charities of Fairfield County, Inc. and Affiliate

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the years ended June 30, 2020 and 2019

	2020			2019		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenues and support						
Federal and state grants	\$ 4,519,694	\$ -	\$ 4,519,694	\$ 4,844,803	\$ -	\$ 4,844,803
Bequests and contributions	1,309,608	775,651	2,085,259	940,734	474,799	1,415,533
Program service revenue	931,657	-	931,657	1,128,185	-	1,128,185
Annual Catholic Appeal	888,163	-	888,163	981,597	-	981,597
In-kind contributions	711,100	-	711,100	703,720	-	703,720
Special events	817,623	-	817,623	701,057	-	701,057
Non-governmental grants	910,943	254,100	1,165,043	644,663	-	644,663
Other revenue	119,616	-	119,616	6,607	-	6,607
 Total revenues and support before net assets released from restrictions	 10,208,404	 1,029,751	 11,238,155	 9,951,366	 474,799	 10,426,165
 Net assets released from restrictions	 64,810	 (64,810)	 -	 205,539	 (205,539)	 -
 Total revenues and support	 10,273,214	 964,941	 11,238,155	 10,156,905	 269,260	 10,426,165
Expenses						
Program services	8,577,223	-	8,577,223	8,945,246	-	8,945,246
Management and general	1,298,028	23,720	1,321,748	1,446,813	-	1,446,813
Development and fundraising	334,938	-	334,938	468,488	-	468,488
 Total expenses	 10,210,189	 23,720	 10,233,909	 10,860,547	 -	 10,860,547
 Income (loss) from operations before depreciation and accretion	 63,025	 941,221	 1,004,246	 (703,642)	 269,260	 (434,382)
 Depreciation and accretion	 191,189	 -	 191,189	 209,437	 -	 209,437
 Income (loss) from operations before nonoperating activities	 (128,164)	 941,221	 813,057	 (913,079)	 269,260	 (643,819)
Nonoperating activities						
Loss on disposal of fixed assets	-	-	-	(160,919)	-	(160,919)
Investment income, net	46,885	-	46,885	46,576	-	46,576
 Change in net assets	 (81,279)	 941,221	 859,942	 (1,027,422)	 269,260	 (758,162)
 Net assets, beginning of year	 3,487,679	 2,023,890	 5,511,569	 4,515,101	 1,754,630	 6,269,731
 Net assets, end of year	 <u>\$ 3,406,400</u>	 <u>\$ 2,965,111</u>	 <u>\$ 6,371,511</u>	 <u>\$ 3,487,679</u>	 <u>\$ 2,023,890</u>	 <u>\$ 5,511,569</u>

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

Catholic Charities of Fairfield County, Inc. and Affiliate
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2020

	Program Services						Management and General	Development and Fundraising	Total
	Nutrition	Behavioral Health	Family	Community Support	Housing	Total			
Compensation and benefits	\$ 1,490,155	\$ 429,962	\$ 1,490,286	\$ 1,092,428	\$ 565,887	\$ 5,068,718	\$ 849,167	\$ 164,421	\$ 6,082,306
Client support	770,049	663	62,776	8,627	296,426	1,138,541	1,040	-	1,139,581
Professional fees and contractual services	66,669	206,523	10,431	95,364	300	379,287	280,666	5,038	664,991
Occupancy	308,448	160,264	179,730	156,685	51,912	857,039	50,588	4,958	912,585
Office	101,449	55,722	80,222	71,489	26,541	335,423	96,923	8,222	440,568
Travel, meetings and conferences	52,510	601	3,449	24,925	5,630	87,115	9,303	732	97,150
In-kind expense	705,310	-	5,790	-	-	711,100	-	-	711,100
Special events	-	-	-	-	-	-	-	151,567	151,567
Bad debt	-	-	-	-	-	-	34,061	-	34,061
Total expenses before depreciation and accretion	3,494,590	853,735	1,832,684	1,449,518	946,696	8,577,223	1,321,748	334,938	10,233,909
Depreciation and accretion	154,636	194	10,895	5,000	18,242	188,967	2,222	-	191,189
Total expenses	<u>\$ 3,649,226</u>	<u>\$ 853,929</u>	<u>\$ 1,843,579</u>	<u>\$ 1,454,518</u>	<u>\$ 964,938</u>	<u>\$ 8,766,190</u>	<u>\$ 1,323,970</u>	<u>\$ 334,938</u>	<u>\$ 10,425,098</u>

The accompanying notes are an integral part of this consolidated financial statement.

Catholic Charities of Fairfield County, Inc. and Affiliate
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2019

	Program services						Management and General	Development and Fundraising	Total
	Nutrition	Behavioral Health	Family	Community Support	Housing	Total			
Compensation and benefits	\$ 1,423,313	\$ 535,983	\$ 1,489,095	\$ 968,970	\$ 631,413	\$ 5,048,774	\$ 946,302	\$ 322,398	\$ 6,317,474
Client support	924,565	149	27,013	7,691	418,679	1,378,097	265	-	1,378,362
Professional fees and contractual services	86,855	228,853	14,778	100,287	1,112	431,885	277,999	1,480	711,364
Occupancy	333,326	175,110	194,515	169,354	92,191	964,496	51,494	5,027	1,021,017
Office	112,133	57,730	53,403	54,398	32,606	310,270	119,992	10,587	440,849
Travel, meetings and conferences	57,373	2,581	5,400	27,185	15,465	108,004	35,094	10,345	153,443
In-kind expense	703,720	-	-	-	-	703,720	-	-	703,720
Special events	-	-	-	-	-	-	-	118,651	118,651
Bad debt	-	-	-	-	-	-	15,667	-	15,667
Total expenses before depreciation and accretion	3,641,285	1,000,406	1,784,204	1,327,885	1,191,466	8,945,246	1,446,813	468,488	10,860,547
Depreciation and accretion	168,696	194	11,532	5,000	22,763	208,185	1,252	-	209,437
Total expenses	<u>\$ 3,809,981</u>	<u>\$ 1,000,600</u>	<u>\$ 1,795,736</u>	<u>\$ 1,332,885</u>	<u>\$ 1,214,229</u>	<u>\$ 9,153,431</u>	<u>\$ 1,448,065</u>	<u>\$ 468,488</u>	<u>\$ 11,069,984</u>

The accompanying notes are an integral part of this consolidated financial statement.

Catholic Charities of Fairfield County, Inc. and Affiliate

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 859,942	\$ (758,162)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and accretion	191,189	209,437
Bad debt expense	34,061	15,667
Loss on disposal of fixed assets	-	160,919
Changes in operating assets and liabilities		
Accounts receivable	(171,939)	(50,743)
Contributions receivable	(100,770)	100,050
Bequests receivable	11,089	(10,000)
Grants receivable	154,031	(5,980)
Due from Diocese of Bridgeport, net	801,635	(333,576)
Prepaid expenses	(48,970)	(44,180)
Accounts payable	133,792	(99,477)
Accrued expenses	(241,944)	133,132
Due to related entities	(32,032)	71,471
Refundable advances	(145,318)	244,547
Conditional asset retirement obligation	-	(62,804)
	<u>1,444,766</u>	<u>(429,699)</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities:		
Purchase of investments - other	(1,486,000)	(2,070,000)
Proceeds from sales of investments - other	3,561,654	1,638,000
Purchase of property and equipment	(98,609)	(44,118)
Loans receivable	(118,601)	-
	<u>1,858,444</u>	<u>(905,817)</u>
Net cash provided by (used in) investing activities		
Cash flows from financing activities:		
Proceeds from note payable	1,204,000	-
	<u>1,204,000</u>	<u>-</u>
Net cash provided by financing activities		
Net increase (decrease) in cash and cash equivalents	4,507,210	(1,335,516)
Cash and cash equivalents, beginning of year	<u>1,448,587</u>	<u>2,354,404</u>
Cash and cash equivalents, end of year	<u>\$ 5,955,797</u>	<u>\$ 1,448,587</u>

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

Catholic Charities of Fairfield County, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 1 - ORGANIZATION

Catholic Charities of Fairfield County, Inc. ("CCFC") is a not-for-profit, non-stock corporation organized under the laws of the State of Connecticut in April 1955 by the Bridgeport Roman Catholic Diocesan Corporation (the "Diocese"). The members of CCFC are the Bishop, the Vicar(s) General, the Chancellor of the Diocese, the President of CCFC, and such other members appointed by the Bishop. No less than six members are appointed. CCFC has a Board of Directors consisting of those members and up to nineteen lay people. The mission of CCFC is to put faith into action by providing food, housing, mental health, adoption, immigration and family support services to the needy and vulnerable of all faiths in Fairfield County, Connecticut.

Catholic Charities of Fairfield County Holdings, LLC ("CCFCH"), a single member limited liability company established by CCFC, was organized under the laws of the State of Connecticut in September 2012 to own the real estate to provide transitional housing facilities to support CCFC's mission.

Accordingly, the accompanying consolidated financial statements, along with the related disclosures thereto, reflect the activities of CCFC and CCFCH (collectively, "Catholic Charities").

Program Services

Catholic Charities provides the following services:

Nutrition - Food services include two of the State of Connecticut's largest food cafes/soup kitchens serving the homeless and working poor, a mobile breakfast program, food pantries, and a congregate and home delivered meal program for homebound elderly.

Behavioral Health - Behavioral health services provide family and individual counseling throughout Fairfield County, Connecticut. CCFC provides affordable and accessible mental health services to economically disadvantaged individuals and families. Behavioral health services have district offices in Danbury and Norwalk, Connecticut.

Family - Family services provide school readiness for children who would otherwise not receive pre-school preparation, through the Room to Grow Early Childhood Education Center, as well as a full array of Family Directional services including adoption and pregnancy outreach activities. Immigration Services provide affordable counseling and legal assistance to immigrant families regardless of race, religion, or economic status and is accredited by the U.S. Department of Justice to meet a broad spectrum of challenges normally faced by families new to the United States.

Community Support - The Community Support services program provides assistance, training, counseling and family support services to individuals and families who are chronically homeless or dealing with substance abuse or mental health issues. Additionally, Community Support includes a Family Loan Program that helps working parents obtain small bank loans to prevent loss of employment.

Housing - Housing services programs provide rental assistance and support services to formerly homeless families and individuals who have documented disabilities. The support services assist these families and individuals with life skills as they move towards self-sufficiency. Housing programs consist of a network of both transitional and permanent housing.

Catholic Charities of Fairfield County, Inc. and Affiliate
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
June 30, 2020 and 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying consolidated financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), with all significant intercompany balances and transactions eliminated. Accordingly, the classification of Catholic Charities' net assets and its revenues, support, and expenses are based on the existence or absence of donor-imposed restrictions.

Classifications of Net Assets

Catholic Charities reports its net assets and changes therein based on the existence or absence of donor-imposed restrictions as follows:

Net Assets Without Donor Restrictions - consist of resources available for the general support of Catholic Charities' operations, which may be used at the discretion of management.

Net Assets With Donor Restrictions - net assets subject to the following donor-imposed stipulations:

Some donor restrictions are temporary in nature, and either expire with the passage of time or can be fulfilled by the actions of Catholic Charities pursuant to those stipulations. 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. However, when restrictions on donor-restricted contributions and investment return are met in the same accounting period, such amounts are reported as part of net assets without donor restrictions.

Other donor restrictions consist of funds that are subject to donor-imposed restrictions of gift instruments requiring that the principal be invested in perpetuity and the income be used for specific or general purposes. Contributions received pertaining to the Family Loan Program plus interest income generated from these loans function as a revolving loan pool and are restricted in perpetuity and reported as net assets with donor restrictions within the consolidated statement of financial position. Allowances for uncollectible loans under this program reduce the net assets with donor restrictions.

Cash and Cash Equivalents

Catholic Charities considers all highly liquid investments with original maturities of less than 90 days from the date of purchase to be cash equivalents.

Investments - Other

Investments - other consist of certificates of deposit ("CD") with original maturities of greater than 90 days in accordance with the investment policy. The book value as of June 30, 2020 and 2019 is \$0 and \$2,075,652, respectively. Upon maturity in fiscal 2020, the CDs were liquidated.

Fair Value Measurement

The Financial Accounting Standards Board ("FASB") Topic 820, under the FASB Accounting Standards Codification ("ASC") defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This standard provides a consistent definition of fair value, which focuses on an exit price between market participants in an orderly transaction. The standard also

Catholic Charities of Fairfield County, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

For the years ended June 30, 2020 and 2019

prioritizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the respective asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is categorized into three levels based on the transparency of inputs as follows:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.
- Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities include investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed.
- Level 3 - Securities that have little to no pricing observability as of the report date. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the reporting entity. Catholic Charities considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to Catholic Charities' perceived risk of that instrument.

Catholic Charities' policy is to recognize transfers in and transfers out of levels at the end of the reporting period.

Accounts Receivable

Catholic Charities generally does not require collateral or other security in providing health care and other services to clients. However, Catholic Charities routinely obtains assignment of clients' benefits payable under their health care insurance programs, plans or policies. Because of the uncertainty surrounding collection, management provides an allowance for doubtful accounts based on consideration of the type of receivable, responsible party, credit history, and comparative aging. Accounts receivable balances are written off when management has determined that all reasonable methods of collection have been exhausted. Any payments subsequently received on such receivables are recorded as income in the period received. As of June 30, 2020 and 2019, Catholic Charities recorded an allowance for doubtful accounts of \$60,186 and \$57,777, respectively.

Property and Equipment

Property acquisitions and improvements are stated at cost, or in the case of donations, at fair value as determined on the date of gift. Additions and improvements that exceed \$2,500 and with useful lives greater

Catholic Charities of Fairfield County, Inc. and Affiliate
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
For the years ended June 30, 2020 and 2019

than three years are capitalized and depreciated on a straight-line basis over the following estimated useful lives:

Buildings	30 - 40 years
Furniture and fixtures	3 - 10 years
Automobiles	3 - 5 years
Computer equipment	3 - 5 years

Land and leasehold improvements are amortized over the estimated useful lives of the improvements or the term of the leases to which they pertain, whichever is shorter. Repairs and maintenance are charged to expense as incurred.

Bequests, Contributions and Special Events

As of July 1, 2019, Catholic Charities adopted Accounting Standards Update ("ASU") 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and Guidance for Contributions Received and Contributions Made. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU have assisted in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance, and (2) determining whether a contribution is conditional.

Contributions, including unconditional promises to give, are reported as revenues in the period received. Unconditional promises to give that are expected to be received after one year are discounted to reflect the present value of future cash flows using a credit adjusted discount rate assigned in the year the respective pledge originates. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any. An allowance for uncollectible contributions receivable is provided in the net asset class in which the contribution receivable resides based on an assessment of the creditworthiness of the respective donor. Contributions are written off when determined to be uncollectible. Based on management's history with donors having outstanding balances, Catholic Charities has concluded that a reserve is not deemed necessary at June 30, 2020 and 2019. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Contributions with donor-imposed restrictions are reported as revenues restricted by time or purpose and are released to net assets without donor restrictions when donor-imposed restrictions are satisfied.

Intentions to give under various wills and trust agreements are recorded as bequests receivable when Catholic Charities has an irrevocable right to the bequest and the proceeds are measurable.

Revenues and expenses related to special events are recognized upon occurrence of the respective event.

In-Kind Contributions

Contributed services are recognized in the consolidated financial statements if they enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. General volunteer services do not meet this criteria for recognition.

Contributed goods and services for the years ended June 30, 2020 and 2019 consisted of donated space for the Senior Nutrition programs, food, clothing and toys for the School Readiness and Housing Programs, and other miscellaneous supplies received for programmatic activities.

Catholic Charities of Fairfield County, Inc. and Affiliate
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

For the years ended June 30, 2020 and 2019

Catholic Charities has recorded the estimated fair value of donated property and services as follows for the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Donated program space	\$ 211,967	\$ 264,905
Donated food, clothing, toys, and supplies	499,133	438,815
	<u>\$ 711,100</u>	<u>\$ 703,720</u>

Governmental and Non-Governmental Grants

Grant revenue is recognized to the extent that allowable program expenditures have been incurred in accordance with the terms of the related agreement to which they pertain. Non-governmental grant revenue is recognized to the extent that allowable expenditures have been incurred or restrictions being released in accordance with the terms of the related agreements to which they pertain. Based on management's history with government and non-governmental entities having outstanding balances, it has concluded that a reserve is not deemed necessary at June 30, 2020 and 2019.

Program Services Revenue

Program services revenue is recognized when services are provided. Catholic Charities bills for services and recognizes revenue using a sliding fee scale based on patient family income levels.

Program services revenue consisted of the following for the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Nutrition	\$ 180,742	\$ 229,750
Behavioral Health	246,322	345,871
Family	477,868	525,347
Community	6,975	7,502
Housing	19,750	19,715
	<u>\$ 931,657</u>	<u>\$ 1,128,185</u>

Refundable Advances

Amounts from grants, contracts and other funds for related program services received in advance but unearned are reflected as refundable advances in the consolidated statements of financial position and are subsequently reflected in the consolidated statements of activities during the period to which they apply as the funds are expended and earned.

Conditional Asset Retirement Obligation

Catholic Charities has a conditional asset retirement obligation ("CARO") for asbestos material associated with the Merton Single Room Occupancy ("SRO"), which it owns. This obligation is defined as a legal obligation associated with the future retirement of a tangible long-lived asset in which the timing and/or method of settlement is conditional on a future event that may or may not be within the control of Catholic Charities. The present value of this obligation and resulting accretion expense, together with the related asset retirement cost capitalized, accumulated depreciation and depreciation expense, are recognized in the accompanying consolidated financial statements. The SRO was disposed of during fiscal year 2019, and the conditional asset retirement obligation was satisfied.

Catholic Charities of Fairfield County, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

For the years ended June 30, 2020 and 2019

Functional Expense Allocation

Expenses are charged directly to Catholic Charities program services, management and general, and development and fundraising, and are based on specific identification to the extent practicable. Expenses related to more than one function have been allocated using consistent methodologies determined by management, amongst the programs and supporting services benefited. Those expenses include personnel costs, client support, occupancy, professional fees and contractual services, office, travel, meetings and conferences, special events and depreciation. Management and general expenses include those expenses that are not directly identifiable with a specific function, but provide for the overall support and direction of Catholic Charities.

Operating Measure

Catholic Charities classifies its consolidated statements of activities into operating and non-operating activities. Operating activities principally include all income and expenses related to carrying out Catholic Charities' mission, including interest and dividends from Catholic Charities operations. Non-operating activities include gain or loss on disposition of assets, gain or loss on conditional asset retirement obligations, interest and dividends not included in operating activities, realized and unrealized return (losses) on investments and other activities considered to be of a more unusual or nonrecurring nature, if any.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated statement of financial position and the reported amounts of revenues and expenses during the reporting period. The most significant management judgments and estimates used in the preparation of the accompanying consolidated financial statements relate to the determination of depreciation and accretion expense, allowances for doubtful accounts related to receivables, the value of in-kind contributions and conditional asset retirement obligations. Actual results could differ from those estimates.

Concentration of Market and Credit Risks

Cash, cash equivalents and investments-other are exposed to interest rate, market, and credit risks. Catholic Charities maintains its cash and cash equivalents in various bank deposit accounts that, at times, may exceed federally insured limits. To minimize risk, Catholic Charities' cash accounts are placed with high-credit quality financial institutions. Catholic Charities regularly evaluates its deposit arrangements and investments, including performance thereof.

Catholic Charities receives a significant portion of its funding from federal and state grants. As with all grants, there is a risk that future grants will be reduced or eliminated. A significant reduction in grant funding would have a significant impact on Catholic Charities' program services. However, no such reductions have been communicated by sponsors or are otherwise known at present.

Catholic Charities of Fairfield County, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

For the years ended June 30, 2020 and 2019

Income Taxes

Catholic Charities recognizes an individual tax position in its consolidated financial statements based upon whether the tax position is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Catholic Charities has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; determine its filing and tax obligations in jurisdictions for which it has nexus; and to review other matters that may be considered tax positions. As of June 30, 2020 and 2019, management has determined that Catholic Charities has no material uncertain tax positions that would require recognition or disclosure in its consolidated financial statements.

In an annually updated ruling, the Internal Revenue Service has held that agencies, instrumentalities and educational, charitable, and religious institutions operated, supervised, or controlled by or in connection with the Roman Catholic Church in the United States, its territories or possessions appearing in "The Official Catholic Directory" are exempt from federal income tax under provisions of Section 501(c)(3) of the Internal Revenue Code. Catholic Charities is listed in "the Official Catholic Directory" and therefore is exempt from income tax. Accordingly, the accompanying consolidated financial statements reflect no provision for income taxes.

Liquidity and Availability

Catholic Charities' working capital and cash flows have cyclical variations during the year attributable to the cash receipts for contributions, Federal and State grant distributions and Diocesan allocations from the Annual Catholic Appeal.

Total financial assets available to meet cash needs for general expenditures within one year at June 30, 2020 and 2019 are as follows:

	2020	2019
Cash and cash equivalents	\$ 5,955,797	\$ 1,448,587
Investments - other	-	2,075,652
Accounts receivable, net	367,744	206,148
Contributions receivable	152,000	51,230
Bequests receivable	10,000	21,089
Grants receivable	523,319	677,350
Due from Diocese of Bridgeport, net	186,981	988,616
Financial assets as of fiscal year end	<u>7,195,841</u>	<u>5,468,672</u>
Less amounts unavailable for general expenditures due to grantor time and purpose restrictions	<u>(2,965,111)</u>	<u>(2,023,890)</u>
Financial assets as of fiscal year end available to meet needs for general expenditures	<u>\$ 4,230,730</u>	<u>\$ 3,444,782</u>

Reclassifications

Certain accounts in the prior year consolidated financial statements have been reclassified for comparative purposes to conform with the presentation in the current year consolidated financial statements. These reclassifications have no effect on previously reported change in net assets.

Catholic Charities of Fairfield County, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

For the years ended June 30, 2020 and 2019

Subsequent Events

Catholic Charities evaluated its June 30, 2020 consolidated financial statements for subsequent events through February 26, 2021 the date the consolidated financial statements were available to be issued. Catholic Charities is not aware of any subsequent events that would require recognition or disclosure in the accompanying consolidated financial statements.

NOTE 3 - LOANS RECEIVABLE

The Family Loan Program assists working parents in obtaining loans to prevent the loss of employment. Loans can only be used for the purchase of a used car for transportation to and from work, car repairs, or the security deposit for an apartment in the greater Danbury area. All loans have a 6.99% interest rate (regardless of credit score) and are funded from a pool of funds donated by local banks. As of June 30, 2020, \$94,881, net of an allowance of \$23,720 was owed to Catholic Charities. Additionally, \$94,809 is included in cash and cash equivalents as of June 30, 2020 restricted to the Family Loan Program.

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable, at June 30, 2020 and 2019 were expected to be collected as follows:

	<u>2020</u>	<u>2019</u>
Amounts expected to be collected in:		
One year or less	\$ 76,000	\$ 51,230
Between one and five years	<u>76,000</u>	<u>-</u>
	<u>\$ 152,000</u>	<u>\$ 51,230</u>

During fiscal 2020 and 2019, Catholic Charities recognized bequest revenue totaling \$50,500 and \$657,111, respectively, which has been included within bequests and contributions in the accompanying consolidated statements of activities.

Additionally, Catholic Charities has been notified of certain other intentions to give under various wills and trust agreements, the realizable amounts of which are not presently determinable. Catholic Charities' share of such bequests will be recorded when Catholic Charities has an irrevocable right to the bequest and the proceeds are measurable.

Catholic Charities of Fairfield County, Inc. and Affiliate
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
For the years ended June 30, 2020 and 2019

NOTE 5 - PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
Buildings	\$ 662,781	\$ 662,781
Furniture and fixtures	352,745	312,845
Automobiles	376,948	376,948
Computer equipment	44,193	25,367
Leasehold improvements	2,263,373	2,248,565
Land improvements	19,075	-
	<u>3,725,115</u>	<u>3,626,506</u>
Less: Accumulated depreciation	(2,724,701)	(2,533,512)
	<u>1,000,414</u>	<u>1,092,994</u>
Land	<u>157,250</u>	<u>157,250</u>
	<u>\$ 1,157,664</u>	<u>\$ 1,250,244</u>

Depreciation expense for the years ended June 30, 2020 and 2019 totaled \$191,189 and \$208,381, respectively.

NOTE 6 - DEFINED CONTRIBUTION PLANS

Catholic Charities participates in the Diocese-maintained defined-contribution 401(a) thrift plan covering all Catholic Charities employees who work at least 30 hours per week and who meet the eligibility requirements of one year of service, and who are 21 years of age. Contributions are based on years of service at rates of 3%, 5% or 7%. Catholic Charities' contributions to the plan on behalf of eligible employees totaled approximately \$170,000 and \$180,000 for the years ended June 30, 2020 and 2019, respectively.

Catholic Charities also provides for employee-only participation in a Diocese maintained 403(b) salary reduction plan for all employees who wish to contribute. Catholic Charities does not make any contributions to this plan.

NOTE 7 - RELATED-PARTY TRANSACTIONS

Catholic Charities receives contributions from the Annual Catholic Appeal of the Diocese to fund its operations, as well as proceeds from special collections conducted by parishes of the Diocese. Amounts due from the Diocese totaled \$186,981 and \$988,616 for the years ended June 30, 2020 and 2019, respectively. Amounts received on behalf of related entities for the We Stand With Christ campaign and other earmarked support are recorded as due to related diocesan entities on the consolidated statements of financial position.

Additionally, Catholic Charities provides services to Diocesan entities consisting primarily of social services to clergy and to its Catholic schools. During the fiscal years ended June 30, 2020 and 2019, revenue earned from social services provided to Diocesan entities, and included in behavioral health services program revenue, totaled approximately \$1,900 and \$5,500, respectively.

Catholic Charities of Fairfield County, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

For the years ended June 30, 2020 and 2019

Catholic Charities participates in employee benefit and insurance programs sponsored by the Diocese for all Diocesan entities and the Diocese provides various services and office space to Catholic Charities. Expenses for these programs and services were as follows for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Employee benefit and insurance programs	\$ 998,344	\$ 872,794
Support services	193,956	161,641
Office space and related services	<u>74,328</u>	<u>80,328</u>
	<u>\$ 1,266,628</u>	<u>\$ 1,114,763</u>

NOTE 8 - COLLABORATION AGREEMENT

In July 2015, Catholic Charities entered into an agreement with St. Vincent's Medical Center (the "Medical Center") to combine, in a collaborative effort, Catholic Charities' outpatient behavioral health services with St. Vincent's. The belief is that this collaboration will enhance the provision of a full complement of outpatient behavioral health services to patients in the greater Bridgeport area served by Catholic Charities and the Medical Center. This collaborative agreement runs through June 30, 2020 (the "Initial Term"), and stipulates that Catholic Charities agrees to make a financial contribution of 50% of the operating loss of the Medical Center, up to the extent that such loss is attributable to the provisions of Catholic Charities services, up to a maximum of \$150,000 for each of the fiscal years under the agreement. At the end of the Initial Term, Catholic Charities has chosen to terminate the agreement. For the years ended June 30, 2020 and 2019, Catholic Charities' share of the operating loss was \$125,000 and \$131,859, respectively, which has been included as part of accrued expenses and behavioral health expense in the accompanying consolidated financial statements.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Lease Commitments

Catholic Charities leases various office equipment, facilities and vehicles under operating leases, which expire at various dates through August 2027. Rent expense for the years ended June 30, 2020 and 2019 totaled \$642,679 and \$702,443, respectively.

At June 30, 2020, future minimum lease payments due under these operating leases follow:

<u>Fiscal Year</u>	<u>Rent Payments</u>			<u>Total Amount</u>
	<u>New Covenant Center</u>	<u>Other Real Estate</u>	<u>Vehicles and Copiers</u>	
2021	\$ 95,150	\$ 482,093	\$ 29,446	\$ 606,689
2022	95,150	364,085	28,129	487,364
2023	95,150	309,288	27,000	431,438
2024	95,150	170,424	2,250	267,824
2025	15,858	136,340	-	152,198
Thereafter	<u>-</u>	<u>149,063</u>	<u>-</u>	<u>149,063</u>
	<u>\$ 396,458</u>	<u>\$ 1,611,293</u>	<u>\$ 86,825</u>	<u>\$ 2,094,576</u>

Catholic Charities of Fairfield County, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

For the years ended June 30, 2020 and 2019

Future rental commitments pertaining to other real estate are related to programs held at various sites throughout the State of Connecticut.

In addition to the leases described above, Catholic Charities also has certain other operating leases that operate on a month to month basis.

Contingencies

Catholic Charities receives funding in the form of state and federal grant programs, Medicaid and Medicare reimbursements. In accordance with the terms of certain government grants and contracts, the records of Catholic Charities are subject to further review and audit by the granting agencies and Medicaid and Medicare after the date of final payment of the contracts. Such reviews and audits may result in Catholic Charities incurring disallowances or other liabilities to the grantors. At June 30, 2020 and 2019, there are no known liabilities in connection with such reviews. It is the opinion of management, however, that disallowances or other liabilities, if any, will not have a material adverse effect on the accompanying consolidated financial statements.

Catholic Charities, in the normal course of its operations, is a party to various legal proceedings and complaints, some of which are covered by insurance. While it is not feasible to predict the ultimate outcomes of such matters, management of Catholic Charities is not aware of any claims or contingencies which are not covered by insurance that would have a material adverse effect on Catholic Charities' consolidated financial position, changes in net assets or cash flows.

NOTE 10 – NOTE PAYABLE

On April 24, 2020 Catholic Charities received loan proceeds in the amount of \$1,204,000 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loan and accrued interest are forgivable after eight or twenty-four weeks as long as the borrower uses the loan proceeds as described in the CARES Act. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty-four week period. Catholic Charities believes this loan will be fully forgiven during the year ending June 30, 2021.

Catholic Charities of Fairfield County, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

For the years ended June 30, 2020 and 2019

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS

Restricted net assets consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
Time restrictions	\$ 152,000	\$ 51,230
Purpose restrictions:		
Thomas Merton Center	1,907,250	1,906,850
New Covenant Center	440,871	1,560
Senior Nutrition	85,000	-
Room to Grow	158,188	26,234
Education assistance fund	30,426	30,426
Other	-	3,420
Immigration services	1,630	1,670
Behavioral Health	56	2,500
Held in perpetuity:		
Family Loan Program	<u>189,690</u>	<u>-</u>
Total net assets with donor restrictions	<u>\$ 2,965,111</u>	<u>\$ 2,023,890</u>

Net assets were released from restrictions by incurring expenses satisfying the following donor-stipulated purpose or time restrictions for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Time restrictions	\$ 51,230	\$ 100,050
Purpose restrictions:		
Thomas Merton Center	4,600	95,999
Room to Grow	3,076	3,890
Education assistance fund	-	5,600
Other	3,420	-
Behavioral Health	2,444	-
Immigration	<u>40</u>	<u>-</u>
Total net assets released from restrictions	<u>\$ 64,810</u>	<u>\$ 205,539</u>

NOTE 12 – RISKS AND UNCERTAINTY

The recent COVID-19 outbreak has caused economic interruptions through mandated and voluntary closings of businesses and organizations throughout the United States. The extent of the impact of COVID-19 on Catholic Charities' operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impact on Catholic Charities' donors, employees and vendors, all of which at present cannot be determined. Accordingly, the extent to which COVID-19 may impact Catholic Charities' financial position and changes in net assets and cash flows is uncertain and the accompanying consolidated financial statements include no adjustments relating to the effects of this pandemic.