

Consolidated Financial Statements and
Report of Independent Certified Public
Accountants

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

June 30, 2021 and 2020

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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 consolidated 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, 2021 and 2020, 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 consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States 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, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Stamford, Connecticut
February 28, 2022

Catholic Charities of Fairfield County, Inc. and Affiliate
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of June 30,

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 6,293,692	\$ 5,955,797
Accounts receivable, net	485,806	367,744
Loans receivable, net	65,359	94,881
Contributions receivable	545,000	152,000
Bequests receivable	20,000	10,000
Grants receivable	368,733	523,319
Due from Diocese of Bridgeport, net	436,225	186,981
Prepaid expenses	222,997	219,754
Property and equipment, net	1,213,580	1,157,664
Total assets	\$ 9,651,392	\$ 8,668,140
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 14,596	\$ 135,443
Accrued expenses	514,989	645,975
Due to related entities	37,011	107,897
Refundable advances	279,011	203,314
Note payable	1,204,000	1,204,000
Total liabilities	2,049,607	2,296,629
Commitments and contingencies		
Net assets		
Without donor restrictions	3,837,242	3,406,400
With donor restrictions	3,764,543	2,965,111
Total net assets	7,601,785	6,371,511
Total liabilities and net assets	\$ 9,651,392	\$ 8,668,140

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,

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support						
Federal and state grants	\$ 4,606,978	\$ -	\$ 4,606,978	\$ 4,519,694	\$ -	\$ 4,519,694
Bequests and contributions	2,173,245	1,017,101	3,190,346	1,309,608	775,651	2,085,259
Program service revenue	775,357	-	775,357	931,657	-	931,657
Annual Catholic Appeal	452,725	-	452,725	888,163	-	888,163
In-kind contributions	569,047	-	569,047	711,100	-	711,100
Special events	875,217	-	875,217	817,623	-	817,623
Non-governmental grants	912,716	-	912,716	910,943	254,100	1,165,043
Other revenue	6,493	-	6,493	119,616	-	119,616
Total revenues and support before net assets released from restrictions	10,371,778	1,017,101	11,388,879	10,208,404	1,029,751	11,238,155
Net assets released from restrictions	215,210	(215,210)	-	64,810	(64,810)	-
Total revenues and support	10,586,988	801,891	11,388,879	10,273,214	964,941	11,238,155
Expenses						
Program services	8,370,025	-	8,370,025	8,577,223	-	8,577,223
Management and general	1,227,445	2,459	1,229,904	1,298,028	23,720	1,321,748
Development and fundraising	360,564	-	360,564	334,938	-	334,938
Total expenses	9,958,034	2,459	9,960,493	10,210,189	23,720	10,233,909
Income from operations before depreciation	628,954	799,432	1,428,386	63,025	941,221	1,004,246
Depreciation	198,395	-	198,395	191,189	-	191,189
Income (loss) from operations before nonoperating activities	430,559	799,432	1,229,991	(128,164)	941,221	813,057
Nonoperating activities						
Investment income, net	283	-	283	46,885	-	46,885
Change in net assets	430,842	799,432	1,230,274	(81,279)	941,221	859,942
Net assets, beginning of year	3,406,400	2,965,111	6,371,511	3,487,679	2,023,890	5,511,569
Net assets, end of year	\$ 3,837,242	\$ 3,764,543	\$ 7,601,785	\$ 3,406,400	\$ 2,965,111	\$ 6,371,511

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, 2021

	Program Services					Total	Management and General	Development and Fundraising	Total
	Nutrition	Behavioral Health	Family	Community Support	Housing				
Compensation and benefits	\$ 1,454,709	\$ 438,489	\$ 1,491,660	\$ 1,177,329	\$ 579,643	\$ 5,141,830	\$ 733,473	\$ 223,051	\$ 6,098,354
Client support	891,825	868	46,489	11,113	189,859	1,140,154	2,110	-	1,142,264
Professional fees and contractual services	67,018	91,169	5,840	97,707	15,912	277,646	297,427	6,013	581,086
Occupancy	289,398	136,590	161,217	150,846	52,342	790,393	54,771	3,703	848,867
Office	142,710	48,964	71,797	81,393	41,593	386,457	120,383	9,391	516,231
Travel, meetings and conferences	47,080	257	1,177	15,763	221	64,498	10,199	174	74,871
In-kind expense	569,047	-	-	-	-	569,047	-	-	569,047
Special events	-	-	-	-	-	-	-	118,232	118,232
Bad debt	-	-	-	-	-	-	11,541	-	11,541
Total expenses before depreciation	3,461,787	716,337	1,778,180	1,534,151	879,570	8,370,025	1,229,904	360,564	9,960,493
Depreciation	156,230	194	14,427	5,000	19,631	195,482	2,913	-	198,395
Total expenses	\$ 3,618,017	\$ 716,531	\$ 1,792,607	\$ 1,539,151	\$ 899,201	\$ 8,565,507	\$ 1,232,817	\$ 360,564	\$ 10,158,888

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, 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	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	154,636	194	10,895	5,000	18,242	188,967	2,222	-	191,189
Total expenses	\$ 3,649,226	\$ 853,929	\$ 1,843,579	\$ 1,454,518	\$ 964,938	\$ 8,766,190	\$ 1,323,970	\$ 334,938	\$ 10,425,098

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 year ended June 30,

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 1,230,274	\$ 859,942
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	198,395	191,189
Bad debt expense	11,541	34,061
Changes in operating assets and liabilities		
Accounts receivable	(127,144)	(171,939)
Contributions receivable	(393,000)	(100,770)
Bequests receivable	(10,000)	11,089
Grants receivable	154,586	154,031
Due from Diocese of Bridgeport, net	(249,244)	801,635
Prepaid expenses	(3,243)	(48,970)
Accounts payable	(120,847)	133,792
Accrued expenses	(130,986)	(241,944)
Due to related entities	(70,886)	(32,032)
Refundable advances	75,697	(145,318)
	565,143	1,444,766
Cash flows from investing activities:		
Purchase of investments - other	-	(1,486,000)
Proceeds from sales of investments - other	-	3,561,654
Purchase of property and equipment	(254,311)	(98,609)
Change in loans receivable	27,063	(118,601)
	(227,248)	1,858,444
Net cash (used in) provided by investing activities		
Cash flows from financing activities:		
Proceeds from note payable	-	1,204,000
	337,895	4,507,210
Net increase in cash and cash equivalents		
Cash and cash equivalents, beginning of year	5,955,797	1,448,587
Cash and cash equivalents, end of year	\$ 6,293,692	\$ 5,955,797

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, 2021 and 2020

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, 2021 and 2020

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 statements 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.

Fair Value Measurement

Catholic Charities follows guidance that 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 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:

Catholic Charities of Fairfield County, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

- 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

Accounts receivable consists of payments owed on program service and other revenues. 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, 2021 and 2020, Catholic Charities recorded an allowance for doubtful accounts of \$56,595 and \$60,186, 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 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

Catholic Charities of Fairfield County, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

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.

Revenue Recognition

Catholic Charities adopted Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), on July 1, 2020. In accordance with ASC 606, Catholic Charities recognizes revenue when control of the promised goods or services are transferred to Catholic Charities customers in an amount that reflects the consideration Catholic Charities expects to be entitled to in exchange for those goods or services. The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied. ASC 606 also requires new and expanded disclosures regarding revenue recognition to ensure an understanding as to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Catholic Charities has identified all program service revenue as the primary revenue category subject to the adoption of ASC 606.

Payments received in advance of Catholic Charities satisfying its performance obligations are recorded within refundable advances in the consolidated statements of financial position. The changes in refundable advances were caused by normal timing differences between the satisfaction of performance obligations and customer payments. Catholic Charities contracts with customers generally contain terms that are less than one year. Accordingly, Catholic Charities elected the practical expedients under ASC 606 to not assess whether a contract has a significant financing component or disclose the information regarding the remaining performance obligations for contracts with customers.

The results of adopting ASC 606 did not have a material impact on the changes in net assets, cash flows, business processes, controls or systems of Catholic Charities.

Bequests, Contributions and Special Events

Catholic Charities recognizes revenue from bequests, contributions and special events in accordance with guidance requiring Catholic Charities to evaluate whether (1) transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to ASC 606, 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, 2021 and 2020. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

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.

Catholic Charities of Fairfield County, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

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, 2021 and 2020 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 has recorded the estimated fair value of donated property and services as follows for the years ended June 30, 2021 and 2020:

	2021	2020
Donated program space	\$ 53,154	\$ 211,967
Donated food, clothing, toys, and supplies	515,893	499,133
	\$ 569,047	\$ 711,100

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 satisfied in accordance with the terms of the related agreements to which they pertain. Based on management's history with government and non-governmental entities, it has concluded that a receivable reserve is not deemed necessary at June 30, 2021 and 2020.

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, 2021 and 2020:

	2021	2020
Nutrition	\$ 113,753	\$ 180,742
Behavioral health	251,525	246,322
Family	381,471	477,868
Community	2,906	6,975
Housing	25,702	19,750
	\$ 775,357	\$ 931,657

Refundable Advances

Amounts from grants, contracts and other funds for related program services received in advance of satisfying the respective performance obligation 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.

Catholic Charities of Fairfield County, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

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 expense, allowances for doubtful accounts related to receivables and the value of in-kind contributions. 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

June 30, 2021 and 2020

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, 2021 and 2020, 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, 2021 and 2020 are as follows:

	2021	2020
Cash and cash equivalents	\$ 6,293,692	\$ 5,955,797
Accounts receivable, net	485,806	367,744
Loans receivable, net	65,359	94,881
Contributions receivable	545,000	152,000
Bequests receivable	20,000	10,000
Grants receivable	368,733	523,319
Due from Diocese of Bridgeport, net	436,225	186,981
Financial assets as of fiscal year end	8,214,815	7,290,722
Less amounts unavailable for general expenditures due to time and purpose restrictions	(3,764,543)	(2,965,111)
Financial assets as of fiscal year end available to meet needs for general expenditures	\$ 4,450,272	\$ 4,325,611

Subsequent Events

Catholic Charities evaluated its June 30, 2021 consolidated financial statements for subsequent events through February 28, 2022 the date the consolidated financial statements were available to be issued. Except as included in Note 10 and the item noted below, Catholic Charities is not aware of any subsequent events that would require recognition or disclosure in the accompanying consolidated financial statements.

Catholic Charities of Fairfield County, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

On January 26, 2022 Catholic Charities purchased a building in Bridgeport, CT to serve as the new location for the Thomas Merton Center. The purchase price was \$910,000, plus applicable closing costs of \$20,807.

NOTE 3 - LOANS RECEIVABLE

The Family Loan Program assists working parents in obtaining loans to prevent the loss of employment. The Family Loan Program is structured as a revolving loan pool providing loans which 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. During 2021, the Family Loan Program expanded its service area to also include lower Fairfield County. All loans have an interest rate ranging between 5.00 and 6.99% (regardless of credit score) and are funded from a pool of funds donated by local banks. Loans receivable are shown net of an allowance of \$16,340 and \$23,720 as of June 30, 2021 and 2020, respectively. Additionally, \$283,008 and \$94,809 is included in cash and cash equivalents as of June 30, 2021 and 2020, respectively, restricted to the Family Loan Program.

During 2021 five local banks committed \$50,000 each, payable over two years, to provide additional funding to the loan pool. The outstanding amount of these unconditional pledges, totaling \$100,000, are included within contributions receivable on the accompanying consolidated statement of financial position as of June 30, 2021.

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable, at June 30, 2021 and 2020 were expected to be collected as follows:

	<u>2021</u>	<u>2020</u>
Amounts expected to be collected in:		
One year or less	\$ 245,000	\$ 76,000
Between one and five years	<u>300,000</u>	<u>76,000</u>
	<u>\$ 545,000</u>	<u>\$ 152,000</u>

Catholic Charities of Fairfield County, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

NOTE 5 - PROPERTY AND EQUIPMENT, NET

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

	2021	2020
Buildings	\$ 667,180	\$ 662,781
Furniture and fixtures	371,371	352,745
Automobiles	461,952	376,948
Computer equipment	44,193	44,193
Leasehold improvements	2,415,655	2,263,373
Land improvements	19,075	19,075
	3,979,426	3,725,115
Less: Accumulated depreciation	(2,923,096)	(2,724,701)
	1,056,330	1,000,414
Land	157,250	157,250
	\$ 1,213,580	\$ 1,157,664

Depreciation expense for the years ended June 30, 2021 and 2020 totaled \$198,395 and \$191,189, 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 \$175,000 and \$170,000 for the years ended June 30, 2021 and 2020, 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 \$436,225 and \$186,981 for the years ended June 30, 2021 and 2020, 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, 2021 and 2020, revenue earned from social services provided to Diocesan entities, and included in behavioral health services program revenue, totaled approximately \$0 and \$1,900, respectively.

Catholic Charities of Fairfield County, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

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>2021</u>	<u>2020</u>
Employee benefit and insurance programs	\$ 1,030,679	\$ 998,344
Support services	193,956	193,956
Office space and related services	<u>74,328</u>	<u>74,328</u>
	<u>\$ 1,298,963</u>	<u>\$ 1,266,628</u>

NOTE 8 - COLLABORATION AGREEMENT

Catholic Charities entered into an agreement with St. Vincent's Medical Center (the "Medical Center") which combined, in a collaborative effort, Catholic Charities' outpatient behavioral health services with St. Vincent's. The belief was that this collaboration would 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 ran through June 30, 2020 (the "Initial Term") and stipulated 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. For the year ended June 30, 2020, Catholic Charities' share of the operating loss was \$125,000, which has been included as part of accrued expenses and behavioral health expense in the accompanying consolidated financial statements. The agreement was terminated at the end of the Initial Term on June 30, 2020. During fiscal year 2021, a \$25,000 loss was recorded during the final closeout of the agreement.

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 leased office space for the years ended June 30, 2021 and 2020 totaled \$526,355 and \$592,241, respectively, and is included under occupancy expenses on the consolidated statement of functional expenses. Rent expense for leased copiers for the years ended June 30, 2021 and 2020 totaled \$40,537 and \$43,778, respectively, and is included under office expenses on the accompanying consolidated statements of functional expenses. Rent expense for leased vehicles for the years ended June 30, 2021 and 2020 totaled \$7,534 and \$6,659, respectively, and is included under travel, meetings and conferences on the accompanying consolidated statements of functional expenses.

Catholic Charities of Fairfield County, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

At June 30, 2021, future minimum lease payments due under these operating leases are as follows:

<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>	
2022	\$ 95,150	\$ 368,837	\$ 31,885	\$ 495,872
2023	95,150	314,041	27,000	436,191
2024	95,150	209,499	2,250	306,899
2025	15,858	178,536	-	194,394
2026	-	120,853	-	120,853
Thereafter	-	73,698	-	73,698
	<u>\$ 301,308</u>	<u>\$ 1,265,464</u>	<u>\$ 61,135</u>	<u>\$ 1,627,907</u>

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, 2021 and 2020, 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 received full forgiveness on this note subsequent to June 30, 2021.

Catholic Charities of Fairfield County, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS

Restricted net assets consisted of the following at June 30:

	2021	2020
Time restrictions	\$ 545,000	\$ 152,000
Purpose restrictions:		
Thomas Merton Center	2,169,915	1,907,250
New Covenant Center	492,264	440,871
Senior Nutrition	-	85,000
Room to Grow	144,419	158,188
Education assistance fund	30,426	30,426
Immigration services	21,595	1,630
Behavioral Health	2,557	56
Other	10,000	-
Held in perpetuity:		
Family Loan Program	348,367	189,690
Total net assets with donor restrictions	\$ 3,764,543	\$ 2,965,111

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

	2021	2020
Time restrictions	\$ 82,000	\$ 51,230
Purpose restrictions:		
Thomas Merton Center	-	4,600
Room to Grow	17,369	3,076
New Covenant Center	29,356	-
Senior Nutrition	85,000	-
Other	-	3,420
Behavioral Health	-	2,444
Immigration services	1,485	40
Total net assets released from restrictions	\$ 215,210	\$ 64,810

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.