

Financial Statements and Report of
Independent Certified Public
Accountants

Catholic Charities of Fairfield County, Inc.

June 30, 2023 and 2022

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GRANT THORNTON LLP

757 Third Ave., 9th Floor
New York, NY 10017

D +1 212 599 0100

F +1 212 370 4520

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

Opinion

We have audited the financial statements of Catholic Charities of Fairfield County, Inc. ("Catholic Charities"), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Catholic Charities as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

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

Emphasis of matter

As discussed in Note 2 to the financial statements, as of July 1, 2022, the Organization adopted Accounting Standards Codification 842, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Catholic Charities' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Catholic Charities' ability to continue as a going concern for a reasonable period of time.

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

Grant Thornton LLP

New York, New York
February 28, 2024

Catholic Charities of Fairfield County, Inc.

STATEMENTS OF FINANCIAL POSITION

As of June 30,

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 5,358,119	\$ 5,214,711
Investments	558,906	500,000
Accounts receivable, net	680,818	450,823
Loans receivable, net	113,587	60,469
Contributions receivable	870,900	420,000
Bequests receivable	-	120,664
Grants receivable	587,194	439,374
Due from related parties, net	230,111	48,147
Prepaid expenses	126,340	129,110
Operating lease right-of-use assets	694,092	-
Property and equipment, net	2,880,017	2,027,663
Total assets	\$ 12,100,084	\$ 9,410,961
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 88,974	\$ 141,490
Accrued expenses	579,603	500,243
Refundable advances	478,907	313,577
Operating lease obligations	722,353	-
Total liabilities	1,869,837	955,310
Net assets		
Without donor restrictions	5,846,659	5,121,264
With donor restrictions	4,383,588	3,334,387
Total net assets	10,230,247	8,455,651
Total liabilities and net assets	\$ 12,100,084	\$ 9,410,961

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

Catholic Charities of Fairfield County, Inc.

STATEMENTS OF ACTIVITIES

Years ended June 30,

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, support and other changes						
Federal and state grants	\$ 5,975,665	\$ -	\$ 5,975,665	\$ 5,258,686	\$ -	\$ 5,258,686
Bequests and contributions	1,401,223	2,639,552	4,040,775	1,145,287	831,975	1,977,262
Program service revenue	1,266,297	-	1,266,297	985,437	-	985,437
Annual Bishop's Appeal	500,207	-	500,207	652,080	-	652,080
Contributions of nonfinancial assets	815,342	-	815,342	730,682	-	730,682
Special events	1,518,301	-	1,518,301	1,171,235	-	1,171,235
Non-governmental grants	1,201,108	-	1,201,108	992,993	-	992,993
Other revenue	21,091	-	21,091	41,653	-	41,653
Total revenues and support before net assets released from restrictions	12,699,234	2,639,552	15,338,786	10,978,053	831,975	11,810,028
Net assets released from restrictions	1,584,126	(1,584,126)	-	1,263,262	(1,263,262)	-
Total revenues and support	14,283,360	1,055,426	15,338,786	12,241,315	(431,287)	11,810,028
Expenses						
Program services	11,227,714	-	11,227,714	10,022,361	-	10,022,361
Management and general	1,605,866	13,280	1,619,146	1,374,912	3,652	1,378,564
Development and fundraising	663,754	-	663,754	545,965	-	545,965
Total expenses	13,497,334	13,280	13,510,614	11,943,238	3,652	11,946,890
Income (loss) from operations before depreciation expense and nonoperating activities	786,026	1,042,146	1,828,172	298,077	(434,939)	(136,862)
Depreciation	243,175	-	243,175	218,231	-	218,231
Income (loss) from operations before nonoperating activities	542,851	1,042,146	1,584,997	79,846	(434,939)	(355,093)
Nonoperating activities						
Investment return, net	182,544	-	182,544	176	-	176
Family loan interest income	-	7,055	7,055	-	4,783	4,783
PPP loan forgiveness income	-	-	-	1,204,000	-	1,204,000
CHANGE IN NET ASSETS	725,395	1,049,201	1,774,596	1,284,022	(430,156)	853,866
Net assets, beginning of year	5,121,264	3,334,387	8,455,651	3,837,242	3,764,543	7,601,785
Net assets, end of year	\$ 5,846,659	\$ 4,383,588	\$ 10,230,247	\$ 5,121,264	\$ 3,334,387	\$ 8,455,651

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

Catholic Charities of Fairfield County, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2023

	Program Services					Total	Management and General	Development and Fundraising	Total
	Nutrition	Behavioral Health	Family	Community Support	Housing				
Compensation and benefits	\$ 2,126,377	\$ 684,479	\$ 1,854,376	\$ 1,825,236	\$ 779,040	\$ 7,269,508	\$ 1,038,407	\$ 351,244	\$ 8,659,159
Client support	1,060,637	1,979	25,016	52,352	148,676	1,288,660	-	-	1,288,660
Professional fees and contractual services	120,497	108,404	9,130	123,799	30,658	392,488	348,397	15,080	755,965
Occupancy	336,406	61,512	221,825	214,168	132,039	965,950	26,195	11,203	1,003,348
Office	132,566	50,293	72,440	76,732	29,406	361,437	164,963	31,665	558,065
Travel, meetings and conferences	67,292	1,725	10,390	35,106	19,816	134,329	3,964	4,633	142,926
In-kind expense	814,749	-	-	593	-	815,342	-	-	815,342
Special events	-	-	-	-	-	-	-	249,929	249,929
Bad debt expense	-	-	-	-	-	-	37,220	-	37,220
Total expenses before depreciation	4,658,524	908,392	2,193,177	2,327,986	1,139,635	11,227,714	1,619,146	663,754	13,510,614
Depreciation	188,344	194	21,042	7,436	24,155	241,171	2,004	-	243,175
Total expenses	<u>\$ 4,846,868</u>	<u>\$ 908,586</u>	<u>\$ 2,214,219</u>	<u>\$ 2,335,422</u>	<u>\$ 1,163,790</u>	<u>\$ 11,468,885</u>	<u>\$ 1,621,150</u>	<u>\$ 663,754</u>	<u>\$ 13,753,789</u>

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

Catholic Charities of Fairfield County, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2022

	Program Services					Total	Management and General	Development and Fundraising	Total
	Nutrition	Behavioral Health	Family	Community Support	Housing				
Compensation and benefits	\$ 1,884,074	\$ 559,931	\$ 1,705,443	\$ 1,652,691	\$ 650,726	\$ 6,452,865	\$ 818,983	\$ 328,538	\$ 7,600,386
Client support	902,107	-	19,494	27,299	208,649	1,157,549	-	-	1,157,549
Professional fees and contractual services	87,366	82,088	15,694	105,500	12,285	302,933	364,705	-	667,638
Occupancy	320,691	117,223	192,910	165,175	71,328	867,327	57,468	3,702	928,497
Office	115,686	57,771	74,794	89,824	62,477	400,552	129,023	18,341	547,916
Travel, meetings and conferences	64,736	3,110	4,761	30,061	7,785	110,453	4,733	1,304	116,490
In-kind expense	730,682	-	-	-	-	730,682	-	-	730,682
Special events	-	-	-	-	-	-	-	194,080	194,080
Bad debt expense	-	-	-	-	-	-	3,652	-	3,652
Total expenses before depreciation	4,105,342	820,123	2,013,096	2,070,550	1,013,250	10,022,361	1,378,564	545,965	11,946,890
Depreciation	173,475	194	15,297	5,000	21,779	215,745	2,486	-	218,231
Total expenses	<u>\$ 4,278,817</u>	<u>\$ 820,317</u>	<u>\$ 2,028,393</u>	<u>\$ 2,075,550</u>	<u>\$ 1,035,029</u>	<u>\$ 10,238,106</u>	<u>\$ 1,381,050</u>	<u>\$ 545,965</u>	<u>\$ 12,165,121</u>

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

Catholic Charities of Fairfield County, Inc.

STATEMENTS OF CASH FLOWS

Years ended June 30,

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 1,774,596	\$ 853,866
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	243,175	218,231
PPP loan forgiveness	-	(1,204,000)
Amortization of operating lease right-of-use assets	431,388	-
Bad debt expense	37,220	-
Realized and unrealized gain on investments	(40,389)	-
Changes in operating assets and liabilities:		
Accounts receivable	(253,935)	34,983
Contributions receivable	(450,900)	125,000
Bequests receivable	120,664	(100,664)
Grants receivable	(147,820)	(70,641)
Due from related parties, net	(181,964)	351,067
Prepaid expenses	2,770	93,887
Accounts payable	(52,516)	126,894
Accrued expenses	138,296	(14,746)
Refundable advances	165,330	34,566
Operating lease obligations	(462,063)	-
	1,323,852	448,443
Net cash provided by operating activities		
	1,323,852	448,443
Cash flows from investing activities:		
Purchase of investments	(18,517)	(500,000)
Purchase of property and equipment	(1,095,529)	(1,032,314)
Change in loans receivable	(66,398)	4,890
	(1,180,444)	(1,527,424)
Net cash used in investing activities		
	(1,180,444)	(1,527,424)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	143,408	(1,078,981)
Cash and cash equivalents, beginning of year	5,214,711	6,293,692
Cash and cash equivalents, end of year	\$ 5,358,119	\$ 5,214,711

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

Catholic Charities of Fairfield County, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

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.

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.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying 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"). 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 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.

Catholic Charities of Fairfield County, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

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.

Investments

Catholic Charities' investments are held by Foundations in Charity, a related party, on their behalf and in a separate account. Investments are comprised of publicly traded mutual funds and are recorded at fair market value generally determined on the basis of quoted market prices. Interest and dividends are recognized as earned. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations. As of June 30, 2023 and 2022, all the Catholic Charities' investments were classified as Level 1 within the fair value hierarchy.

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

Catholic Charities of Fairfield County, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

June 30, 2023 and 2022, Catholic Charities recorded an allowance for doubtful accounts of \$68,871 and \$44,931, 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

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.

Leases

Catholic Charities adopted Accounting Standards Update 2016-02, *Leases (Topic 842)* as of July 1, 2022. Catholic Charities elected the modified retrospective transition method and did not restate prior comparative periods. After the adoption of this standard, Catholic Charities determines if an arrangement contains a lease at inception based on whether there is an identified asset and whether Catholic Charities controls the use of the identified asset throughout the period of use. Catholic Charities classifies leases as either financing or operating. Right-of-use (“ROU”) assets are recognized at the lease commencement date and represent Catholic Charities' right to use an underlying asset for the lease term and lease liabilities represent Catholic Charities' obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments over the remaining lease term. Present value of lease payments is discounted based on the risk-free rate. Expenses related to leases determined to be operating leases are recognized on a straight-line basis, while those determined to be finance leases are recognized following a front-loaded expense pattern in which interest and amortization are presented separately in the income statement. Operating leases are presented separately as operating lease ROU assets and operating lease liabilities in the statement of financial position. Catholic Charities does not have any financing leases.

Catholic Charities elected certain practical expedients permitted under the standard's transition guidance. The practical expedients eliminate the need to reassess the lease classification of expired or existing leases, the need to assess whether any expired or existing contracts are or contain leases, the need to separately assess lease and non-lease components, and the need to reassess initial direct costs for any existing leases. Catholic Charities also elected the short-term lease practical expedient, and accordingly, does not record ROU lease assets or lease liabilities for leases with terms less than 12 months. In addition, Catholic Charities utilized the portfolio approach to group leases with similar characteristics.

Catholic Charities' adoption of this standard resulted in the recording of initial ROU operating lease assets of \$1,125,480 and lease liabilities of \$1,184,416 on July 1, 2022 (See Note 8 for additional information on leases).

Revenue Recognition

Catholic Charities follows guidance whereby revenue is recognized 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

Catholic Charities of Fairfield County, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied. Catholic Charities has identified all program service revenue as the primary revenue category subject to this guidance.

Payments received in advance of Catholic Charities satisfying its performance obligations are recorded within refundable advances in the 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 to not disclose the information regarding the remaining performance obligations for contracts with customers.

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, 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, 2023 and 2022. 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.

Contributions of Nonfinancial Assets

Contributed services are recognized in the 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, 2023 and 2022 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.

Donated space is recorded at its estimated fair values based on current rates for the use of similar space and recognized as in-kind contributions, with a corresponding expense over the period the space is utilized. The estimated fair values of donated food, clothing, toys and supplies are typically provided by the provider and represent the face value or fair value on the date of receipt. These items are recognized as in-kind contributions, with a corresponding expense, as they are used. Catholic Charities does not monetize such nonfinancial assets. All such assets were utilized in the appropriate programmatic activity in the same year in which they were received, and therefore reported as net assets without donor restrictions.

Catholic Charities of Fairfield County, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

Catholic Charities has recorded the estimated fair value of donated property and services as follows for the years ended June 30, 2023 and 2022:

	2023	2022
Donated program space	\$ 264,905	\$ 159,029
Donated food, clothing, toys, and supplies	550,437	571,653
	\$ 815,342	\$ 730,682

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, 2023 and 2022.

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, 2023 and 2022:

	2023	2022
Nutrition	\$ 165,273	\$ 141,305
Behavioral health	558,255	370,680
Family	479,144	404,976
Community	2,495	2,013
Housing	61,130	66,463
	\$ 1,266,297	\$ 985,437

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 statements of financial position and are subsequently reflected in the statements of activities during the period to which they apply as the funds are expended and earned.

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.

Catholic Charities of Fairfield County, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

Operating Measure

Catholic Charities classifies its 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 interest and dividends, 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 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 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 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.

Income Taxes

Catholic Charities recognizes an individual tax position in its 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, 2023 and 2022, management has determined that Catholic Charities has no material uncertain tax positions that would require recognition or disclosure in its 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 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 Bishop's Appeal.

Catholic Charities of Fairfield County, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

Total financial assets available to meet cash needs for general expenditures within one year at June 30, 2023 and 2022 are as follows:

	2023	2022
Cash and cash equivalents	\$ 5,358,119	\$ 5,214,711
Investments	558,906	500,000
Accounts receivable, net	680,818	450,823
Loans receivable, net	113,587	60,469
Contributions receivable	870,900	420,000
Bequests receivable	-	120,664
Grants receivable	587,194	439,374
Due from related entities, net	230,111	48,147
Financial assets as of fiscal year end	8,399,635	7,254,188
Less: amounts unavailable for general expenditures due to time and purpose restrictions	(4,383,588)	(3,334,387)
Financial assets as of fiscal year end available to meet needs for general expenditures	\$ 4,016,047	\$ 3,919,801

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 total assets, liabilities, or change in net assets.

Subsequent Events

Catholic Charities evaluated its June 30, 2023 financial statements for subsequent events through February 28, 2024 the date the financial statements were available to be issued. Except as disclosed in Note 5, Catholic Charities is not aware of any subsequent events that would require recognition or disclosure in the accompanying financial statements.

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 and lower Fairfield County areas. 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 receivables, totaling \$113,587 and \$60,469, are shown net of an allowance of \$28,397 and \$15,117 as of June 30, 2023 and 2022, respectively. Additionally, \$332,666 and \$347,359 is included in cash and cash equivalents as of June 30, 2023 and 2022, respectively, restricted to the Family Loan Program.

Catholic Charities of Fairfield County, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable, at June 30, 2023 and 2022 were expected to be collected as follows:

	2023	2022
Amounts expected to be collected in:		
Less than one year	\$ 558,400	\$ 195,000
One to three years	312,500	225,000
	\$ 870,900	\$ 420,000

NOTE 5 - PROPERTY AND EQUIPMENT, NET

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

	2023	2022
Buildings	\$ 672,480	\$ 672,480
Furniture and fixtures	387,535	387,535
Automobiles	599,171	461,952
Computer equipment	66,076	53,691
Leasehold improvements	2,500,633	2,486,200
Land improvements	19,075	19,075
	4,244,970	4,080,933
Less: accumulated depreciation	(3,384,502)	(3,141,327)
	860,468	939,606
Construction in progress	1,862,299	930,807
Land	157,250	157,250
	\$ 2,880,017	\$ 2,027,663

Depreciation expense for the years ended June 30, 2023 and 2022 totaled \$243,175 and \$218,231, respectively.

On January 26, 2022, Catholic Charities used assets restricted to the Thomas Merton Family Center to purchase a building in Bridgeport, Connecticut to serve as the new location for the Center. Major construction to remodel the building began on February 1, 2023. The original cost of the building and construction costs incurred are recorded as construction in progress. A temporary Certificate of Occupancy was issued on November 27, 2023 for the building. The new Thomas Merton Family Center was occupied, and services commenced in December 2023.

Catholic Charities of Fairfield County, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

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 \$223,000 and \$201,000 for the years ended June 30, 2023 and 2022, 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 Bishop's 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 \$157,239 and \$84,880 as of June 30, 2023 and 2022, respectively. Catholic Charities also received a \$100,000 contribution from Foundations in Charity during the year ended June 30, 2023 which was outstanding as of June 30, 2023. These amounts are included within due from related parties, net, on the statements of financial position.

Amounts due from related parties are recorded net of amounts due to the Diocese related to professional fees for shared services totaling \$27,128 and \$36,733 as of June 30, 2023 and 2022, respectively.

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, 2023 and 2022, revenue earned from social services provided to Diocesan entities, and included in behavioral health services program revenue, totaled approximately \$975 and \$2,600, respectively.

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>2023</u>	<u>2022</u>
Employee benefit and insurance programs	\$ 1,363,250	\$ 1,147,053
Support services	193,968	193,956
Office space and related services	<u>74,328</u>	<u>74,328</u>
	<u>\$ 1,631,546</u>	<u>\$ 1,415,337</u>

NOTE 8 - LEASES

Catholic Charities leases various office equipment, facilities and vehicles under operating leases, which expire at various dates through August 2027. The operating lease cost for leased office space for the year ended June 30, 2023 totaled \$563,598, including \$148,523 for short-term leases that are expensed as paid, and is included under occupancy expenses on the statement of functional expenses. The operating lease cost for leased copiers for the year ended June 30, 2023 totaled \$29,436 and is included under office expenses on the accompanying statements of functional expenses. The operating lease cost for leased vehicles for the year ended June 30, 2023 totaled \$13,392 and is included under travel, meetings and conferences on the accompanying statements of functional expenses.

Catholic Charities of Fairfield County, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

Supplemental cash flow information related to leases for the year ended June 30, is as follows:

	2023
Operating cash flows from operating leases:	
Cash paid for amounts included in the measurement of lease liabilities	\$ 486,011

The following table represents the weighted-average remaining lease term and discount rate as of June 30, 2023:

Weighted-average remaining lease term (expressed in years)	2.79
Weighted-average discount rate	2.87%

Future undiscounted lease payments for Catholic Charities' operating lease liabilities are as follows as of June 30, 2023:

Years Ending June 30:

2024	\$ 329,147
2025	209,538
2026	130,652
2027	70,091
2028	11,687
Total minimum lease payments	751,115
Less: imputed interest	(28,762)
Present value of future minimum lease payments	\$ 722,353

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.

Rent expense for leased office space for the year ended June 30, 2022 totaled \$571,473 and is included under occupancy expenses on the statement of functional expenses. Rent expense for leased copiers for the year ended June 30, 2022 totaled \$38,721 and is included under office expenses on the accompanying statements of functional expenses. Rent expense for leased vehicles for the year ended June 30, 2022 totaled \$12,299 and is included under travel, meetings and conferences on the accompanying statements of functional expenses.

NOTE 9 - 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, 2023 and 2022, there are no known liabilities in connection with such reviews. It is the opinion of management, however, that

Catholic Charities of Fairfield County, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

disallowances or other liabilities, if any, will not have a material adverse effect on the accompanying 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' 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 24 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 24-week period. Catholic Charities received full forgiveness on this note on August 20, 2021 and, accordingly, recognized \$1,204,000 as PPP loan forgiveness income during the year ended June 30, 2022.

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS

Restricted net assets consisted of the following at June 30:

	2023	2022
Time restrictions	\$ 870,900	\$ 420,000
Purpose restrictions:		
Thomas Merton Center	2,194,708	1,307,830
New Covenant Center	587,171	731,694
Senior Nutrition	233,912	296,091
Room to Grow	3,600	79,749
Education Assistance Fund	30,426	30,426
Immigration Services	3,280	7,845
Behavioral Health	-	4,556
Bethlehem House	4,318	44,600
Other	11,475	3,768
Held in perpetuity:		
Family Loan Program	443,798	407,828
Total net assets with donor restrictions	\$ 4,383,588	\$ 3,334,387

Catholic Charities of Fairfield County, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

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>2023</u>	<u>2022</u>
Time restrictions	\$ 75,000	\$ 145,000
Purpose restrictions:		
Thomas Merton Center	1,101,690	1,014,504
Room to Grow	146,149	19,670
New Covenant Center	144,523	62,757
Senior Nutrition	62,508	-
Other	49,256	6,331
Immigration services	<u>5,000</u>	<u>15,000</u>
Total net assets released from restrictions	<u>\$ 1,584,126</u>	<u>\$ 1,263,262</u>