



**ASSOCIATED CATHOLIC CHARITIES, INC.
AND AFFILIATED ORGANIZATIONS**

Combined Financial Statements and
Supplementary Financial Information

June 30, 2021 and 2020

(With Independent Auditors' Report Thereon)

**ASSOCIATED CATHOLIC CHARITIES, INC.
AND AFFILIATED ORGANIZATIONS**

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KPMG LLP
750 East Pratt Street, 18th Floor
Baltimore, MD 21202

Independent Auditors' Report

The Board of Directors
Associated Catholic Charities, Inc.:

We have audited the accompanying combined financial statements of Associated Catholic Charities, Inc. and affiliated organizations (the Organization), which comprise the combined statements of financial position as of June 30, 2021 and 2020, the related combined statements of activities, changes in net assets, cash flows, and program expenses for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of Associated Catholic Charities, Inc. and affiliated organizations as of June 30, 2021 and 2020, and the combined changes in their net assets, their cash flows, and their program expenses for the years then ended, in accordance with U.S. generally accepted accounting principles.



Other Matter – Supplemental Schedule

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

KPMG LLP

Baltimore, Maryland
October 28, 2021

**ASSOCIATED CATHOLIC CHARITIES, INC.
AND AFFILIATED ORGANIZATIONS**

Combined Statements of Financial Position

June 30, 2021 and 2020

Assets	2021	2020
Cash and cash equivalents	\$ 6,791,283	5,323,266
Restricted cash	2,604,457	3,607,109
Accounts receivable, less allowance for doubtful accounts (2021 – \$2,428,491; 2020 – \$2,017,826)	20,199,860	16,266,485
Contributions receivable, net	15,627,248	760,662
Prepaid expenses and other assets	3,806,655	3,268,794
Investments, at fair value	100,969,247	77,112,269
Property and equipment:		
Land and improvements	19,603,579	19,568,650
Buildings	246,485,340	246,426,270
Equipment	26,318,836	24,659,381
Construction in progress	3,059,385	772,360
	295,467,140	291,426,661
Accumulated depreciation	(162,183,997)	(153,891,575)
	133,283,143	137,535,086
Total assets	\$ 283,281,893	243,873,671
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 6,277,048	7,536,589
Accrued salaries and benefits	11,417,184	8,687,014
Accrued interest	1,165,690	1,155,976
Deferred revenue	810,152	732,100
Other liabilities	7,284,072	5,122,736
Capital advances	98,722,922	98,722,922
Mortgages and bonds payable	55,681,226	57,717,322
Total liabilities	181,358,294	179,674,659
Net assets:		
Without donor restrictions:		
Controlling interest:		
ACC programs undesignated operating net assets	39,751,279	27,550,379
Board-designated endowment funds	17,889,241	14,512,455
HUD Senior Communities	(41,608,676)	(39,133,121)
Total controlling interest	16,031,844	2,929,713
Noncontrolling interest – HUD Senior Communities	6,291,153	7,215,254
Total without donor restrictions	22,322,997	10,144,967
With donor restrictions	79,600,602	54,054,045
Total net assets	101,923,599	64,199,012
Total liabilities and net assets	\$ 283,281,893	243,873,671

See accompanying notes to combined financial statements.

**ASSOCIATED CATHOLIC CHARITIES, INC.
AND AFFILIATED ORGANIZATIONS**

Combined Statements of Activities

Years ended June 30, 2021 and 2020

	2021			2020		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenue:						
Purchase of services by governmental agencies	\$ 106,609,414	—	106,609,414	107,664,343	—	107,664,343
Purchase of services – other	1,417,771	—	1,417,771	1,996,192	—	1,996,192
Program service fees	5,331,836	—	5,331,836	6,845,052	—	6,845,052
Contributions, fundraising, and donated goods and services	17,853,496	17,370,350	35,223,846	11,005,666	2,511,886	13,517,552
Rental income	18,815,755	—	18,815,755	18,661,761	—	18,661,761
Other	250,626	—	250,626	247,028	—	247,028
Net assets released from restrictions	4,764,100	(4,764,100)	—	4,929,305	(4,929,305)	—
Revenue	<u>155,042,998</u>	<u>12,606,250</u>	<u>167,649,248</u>	<u>151,349,347</u>	<u>(2,417,419)</u>	<u>148,931,928</u>
Program expenses:						
Family services	64,973,726	—	64,973,726	66,870,332	—	66,870,332
Community services	28,546,819	—	28,546,819	29,415,956	—	29,415,956
Senior services	40,214,344	—	40,214,344	41,793,579	—	41,793,579
Fundraising and awareness	4,029,401	—	4,029,401	2,803,011	—	2,803,011
Management and general	15,946,927	—	15,946,927	16,913,834	—	16,913,834
Expenses	<u>153,711,217</u>	<u>—</u>	<u>153,711,217</u>	<u>157,796,712</u>	<u>—</u>	<u>157,796,712</u>
Total revenue (expenses) in excess of expenses/(revenue)	<u>1,331,781</u>	<u>12,606,250</u>	<u>13,938,031</u>	<u>(6,447,365)</u>	<u>(2,417,419)</u>	<u>(8,864,784)</u>
Nonoperating revenue (expense):						
Endowments, capital grants, and other gifts	491,728	221,915	713,643	97,525	1,846,633	1,944,158
Investment return, net (including net unrealized (losses)/gains: 2021 – \$11,408,999; 2020 – (\$3,013,300))	6,526,219	14,063,893	20,590,112	1,882,491	3,923,363	5,805,854
Other, net	2,378,302	104,499	2,482,801	(564,501)	(104,499)	(669,000)
Net assets released from restrictions	1,450,000	(1,450,000)	—	300,437	(300,437)	—
Total nonoperating revenue	<u>10,846,249</u>	<u>12,940,307</u>	<u>23,786,556</u>	<u>1,715,952</u>	<u>5,365,060</u>	<u>7,081,012</u>
Change in net assets	<u>\$ 12,178,030</u>	<u>25,546,557</u>	<u>37,724,587</u>	<u>(4,731,413)</u>	<u>2,947,641</u>	<u>(1,783,772)</u>

See accompanying notes to combined financial statements.

**ASSOCIATED CATHOLIC CHARITIES, INC.
AND AFFILIATED ORGANIZATIONS**

Combined Statements of Changes in Net Assets

Years ended June 30, 2021 and 2020

	<u>Without donor restrictions</u>			<u>With donor</u>	<u>Total</u>
	<u>Controlling</u>	<u>Noncontrolling</u>	<u>Total</u>	<u>restrictions</u>	
	<u>interest</u>	<u>interests</u>	<u>net assets</u>	<u>net assets</u>	
Net assets as of June 30, 2019	\$ 6,585,521	8,290,859	14,876,380	51,106,404	65,982,784
Change in net assets from activities	<u>(3,655,808)</u>	<u>(1,075,605)</u>	<u>(4,731,413)</u>	<u>2,947,641</u>	<u>(1,783,772)</u>
Net assets as of June 30, 2020	2,929,713	7,215,254	10,144,967	54,054,045	64,199,012
Change in net assets from activities	<u>13,102,131</u>	<u>(924,101)</u>	<u>12,178,030</u>	<u>25,546,557</u>	<u>37,724,587</u>
Net assets as of June 30, 2021	<u>\$ 16,031,844</u>	<u>6,291,153</u>	<u>22,322,997</u>	<u>79,600,602</u>	<u>101,923,599</u>

See accompanying notes to combined financial statements.

**ASSOCIATED CATHOLIC CHARITIES, INC.
AND AFFILIATED ORGANIZATIONS**

Combined Statements of Cash Flows

Years ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 37,724,587	(1,783,772)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	8,697,926	8,495,968
Change in fair value of interest rate swap and cap	(198,685)	192,090
Realized and unrealized gains on investments, net	(19,010,705)	(4,338,366)
Deferred interest expense	191,637	227,857
Gain on disposal of property and equipment	(2,407,091)	(36,642)
Contributions restricted for long-term investment	(21,915)	(656,633)
Change in accounts receivable, net	(3,933,375)	(450,277)
Change in contributions receivable	(14,866,586)	—
Change in prepaid expenses and other assets	(268,990)	(466,853)
Change in accounts payable, accrued interest, and accrued salaries and benefits	1,525,631	1,614,891
Change in deferred revenue	78,052	(638,639)
Change in other liabilities	2,307,961	(1,145,854)
Net cash provided by operating activities	<u>9,818,447</u>	<u>1,013,770</u>
Cash flows from investing activities:		
Purchase of property and equipment	(4,356,807)	(9,823,100)
Proceeds from the sale of property and equipment	2,365,000	86,283
Purchase of investments	(51,998,423)	(46,023,294)
Proceeds from sales and maturities of investments	51,168,036	58,038,326
Net cash (used in) provided by investing activities	<u>(2,822,194)</u>	<u>2,278,215</u>
Cash flows from financing activities:		
Change in contributions receivable	—	277,211
Contributions restricted for long-term investment	21,915	656,633
Repayments under line of credit	—	(9,447,000)
Term loan proceeds	—	10,000,000
Other debt repayment	(2,212,051)	(2,034,662)
Other	(324,866)	(268,105)
Net cash used in financing activities	<u>(2,515,002)</u>	<u>(815,923)</u>
Increase	4,481,251	2,476,062
Cash and cash equivalents, including restricted cash, and cash within investments, beginning of year	<u>16,757,410</u>	<u>14,281,348</u>
Cash and cash equivalents, including restricted cash, and cash within investments, end of year	<u>\$ 21,238,661</u>	<u>16,757,410</u>
Supplemental disclosure of cash flow information:		
Purchase of fixed asset additions in accounts payable	\$ 134,149	195,119

See accompanying notes to combined financial statements.

**ASSOCIATED CATHOLIC CHARITIES, INC.
AND AFFILIATED ORGANIZATIONS**

Combined Statement of Program Expenses

Year ended June 30, 2021

	<u>Family services</u>	<u>Community services</u>	<u>Senior services</u>	<u>Fundraising and awareness</u>	<u>Management and general</u>	<u>Total</u>
Salaries	\$ 40,914,672	14,646,344	13,888,764	1,559,874	8,966,244	79,975,898
Employee benefits and payroll taxes	<u>10,677,369</u>	<u>4,029,025</u>	<u>3,865,632</u>	<u>410,506</u>	<u>2,128,992</u>	<u>21,111,524</u>
Total employee compensation	51,592,041	18,675,369	17,754,396	1,970,380	11,095,236	101,087,422
Occupancy	4,377,423	4,275,953	7,089,697	107,433	746,432	16,596,938
Professional fees and contractual services	1,368,538	951,779	5,175,359	740,160	697,998	8,933,834
Food and other supplies	1,864,977	866,962	2,291,072	2,608	47,239	5,072,858
Transportation	553,113	95,674	86,360	5,342	4,782	745,271
Direct assistance	68,511	1,706,866	115	—	—	1,775,492
Postage, printing, and publications	287,871	58,292	104,299	858,585	24,523	1,333,570
Provision for bad debts	703,669	50,411	337,164	—	—	1,091,244
Interest expense	445,971	5,131	877,523	7,035	(8,039)	1,327,621
Depreciation	2,005,450	738,063	4,884,433	—	961,925	8,589,871
Other	<u>1,706,162</u>	<u>1,122,319</u>	<u>1,613,926</u>	<u>337,858</u>	<u>2,376,831</u>	<u>7,157,096</u>
Total program expenses	<u>\$ 64,973,726</u>	<u>28,546,819</u>	<u>40,214,344</u>	<u>4,029,401</u>	<u>15,946,927</u>	<u>153,711,217</u>

See accompanying notes to combined financial statements.

**ASSOCIATED CATHOLIC CHARITIES, INC.
AND AFFILIATED ORGANIZATIONS**

Combined Statement of Program Expenses

Year ended June 30, 2020

	<u>Family services</u>	<u>Community services</u>	<u>Senior services</u>	<u>Fundraising and awareness</u>	<u>Management and general</u>	<u>Total</u>
Salaries	\$ 41,297,930	15,439,268	15,784,938	1,331,339	9,402,645	83,256,120
Employee benefits and payroll taxes	<u>11,348,124</u>	<u>4,524,937</u>	<u>4,192,258</u>	<u>302,335</u>	<u>2,347,394</u>	<u>22,715,048</u>
Total employee compensation	52,646,054	19,964,205	19,977,196	1,633,674	11,750,039	105,971,168
Occupancy	4,052,374	3,669,713	5,930,198	121,199	961,972	14,735,456
Professional fees and contractual services	1,752,572	818,043	4,360,546	491,516	597,424	8,020,101
Food and other supplies	2,423,982	1,900,137	2,545,917	3,024	188,573	7,061,633
Transportation	961,747	147,708	164,896	5,493	31,989	1,311,833
Direct assistance	173,622	1,317,034	7,915	—	—	1,498,571
Postage, printing, and publications	338,755	57,810	131,326	317,773	42,596	888,260
Provision for bad debts	687,853	29,615	806,302	7,178	(29,816)	1,501,132
Interest expense	484,837	5,698	1,001,139	88,756	376,479	1,956,909
Depreciation	1,962,881	762,068	5,068,806	—	602,914	8,396,669
Other	<u>1,385,655</u>	<u>743,925</u>	<u>1,799,338</u>	<u>134,398</u>	<u>2,391,664</u>	<u>6,454,980</u>
Total program expenses	<u>\$ 66,870,332</u>	<u>29,415,956</u>	<u>41,793,579</u>	<u>2,803,011</u>	<u>16,913,834</u>	<u>157,796,712</u>

See accompanying notes to combined financial statements.

**ASSOCIATED CATHOLIC CHARITIES, INC.
AND AFFILIATED ORGANIZATIONS**

Notes to Combined Financial Statements

June 30, 2021 and 2020

(1) Organization and Significant Accounting Policies

(a) Organization and Recent Events

Associated Catholic Charities, Inc. (ACC) and its affiliated organizations (collectively, Catholic Charities or the Organization) is a nonprofit human services agency that provides services to children and families, the elderly, the disadvantaged, and people with developmental disabilities. Catholic Charities operates more than 80 programs in the city of Baltimore and throughout Maryland.

Catholic Charities' Mission: Inspired by the Gospel mandates to love, serve, and teach, Catholic Charities provides care and services to improve the lives of Marylanders in need.

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) a pandemic. Since then, there have been mandates from federal, state and local authorities requiring temporary closure of various schools, businesses and other facilities and organizations. While there were no significant program closures or service disruptions during the years ended June 30, 2021 and 2020, the Organization did experience declines in service volumes in certain areas, notably in our skilled nursing facility and our community-based behavioral health and substance use clinic sites, as well as overall increased costs of operating in this pandemic. Since March 2020, the Organization also experienced an overall increase in philanthropic activity and received supplemental funding from Federal and State agencies. Management continues to monitor the impact of COVID-19 on its operations and financial condition.

(b) Affiliated Organizations

The combined financial statements include all organizations operating under the auspices of Associated Catholic Charities, Inc., including Catholic Charities Housing, Inc. (Basilica Place), DePaul House, Inc., Bethany Community, Inc., St. Charles House, Inc., Backbone Housing, Inc. (Sterner Hill), Coursey Station Apartments, Inc., St. Luke's Apartments, Inc., St. Mark's Housing, Inc., St. Mark's Limited Partnership, St. Joachim House, Inc., Trinity House Apartments, Inc., Jenkins Memorial Nursing Home, Inc. (St. Elizabeth's), Cherry Hill Town Center, Inc., Hollins Ferry Road Apartments, Inc., Hollins Ferry Senior Housing Limited Partnership, Belair Senior Housing, Inc., Belair Limited Partnership, Odenton Senior Housing, Inc., Glen Burnie Senior Housing, Inc., Reisterstown Village Senior Housing, Inc., Reisterstown Gardens Senior Housing, Inc., Owings Mills Senior Housing, Inc., Aberdeen Senior Housing, Inc., Woodlawn Senior Housing, Inc., Abingdon Senior Housing, Inc., Odenton Senior Housing II, Inc., OLF Senior Housing, Inc., OLF Senior Housing II, Inc., Village Crossroads Senior Housing, Inc., Village Crossroads Senior Housing Limited Partnership, Village Crossroads Senior Housing II, Inc., My Sister's Place Women's Center Fund, Inc., Our Daily Bread Employment Center Fund, Inc., Sarah's House Fund, Inc., Catholic Charities Nursing, Inc., Esperanza Center Health Services, Inc., Basilica Place Limited Partnership, BPL, Inc., Irvington My Brother's Keeper, Inc., and Villa Maria, Inc.

Significant accounts and transactions between entities have been netted in combination. All of the combined organizations operate under the auspices of the Roman Catholic Archbishop of Baltimore, and his successors in office, a corporation sole (the Archdiocese).

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Notes to Combined Financial Statements

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(c) Basis of Presentation

Net assets, revenue, and gains and losses are classified based on the existence or absence of donor-imposed restrictions into two classes of net assets. Accordingly, net assets are classified and reported as follows:

- Without donor restrictions – Net assets that are not subject to donor-imposed stipulations.
- With donor restrictions – Net assets subject to donor-imposed restrictions on their use that may be met either by actions by the Organization or the passage of time; as well as net assets subject to donor imposed or other legal restrictions requiring the principal be maintained in perpetuity.

Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. 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 or by law. Under Maryland law, appreciation on donor-restricted endowments is classified as net assets with donor restrictions until appropriated for expenditure. Expirations of restrictions recognized on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed), are reported as net assets released from restrictions, which reflect reclassifications from net assets with donor restrictions to net assets without donor restrictions. Restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are placed in service.

(d) Use of Estimates

The preparation of the combined financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the combined financial statements and revenue and expenses recognized during the reporting period. Actual results could differ from those estimates.

(e) Cash Equivalents and Restricted Cash

Catholic Charities considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents, except any such securities held by external investment managers are classified with investments, and generally not used for current operations and are not considered cash equivalents for purposes of the statements of cash flows.

Restricted cash represents cash held for various restricted purposes, including client funds, tenant security deposits, construction, and certain reserves for replacements.

**ASSOCIATED CATHOLIC CHARITIES, INC.
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Notes to Combined Financial Statements

June 30, 2021 and 2020

The following table summarizes cash, cash equivalents, and restricted cash reported on the combined statements of cash flows as of June 30, 2021 and 2020.

	2021	2020
Cash and cash equivalents	\$ 6,791,283	5,323,266
Restricted cash	2,604,457	3,607,109
Certificates of deposits and cash investments	11,842,921	7,827,035
	\$ 21,238,661	16,757,410

(f) Allowance for Doubtful Accounts

Catholic Charities' policy is to write off all accounts that have been identified as uncollectible. An allowance for doubtful accounts is recorded for amounts not yet written off, which are estimated to be uncollectible based upon specific review of accounts.

(g) Contributions

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period received or promised. Contributions are considered to be without donor restrictions unless specifically restricted by the donor for a particular program, time, or other purpose, in which case the contribution revenue is reported in the donor restricted net asset class. As donor restrictions are met, the net assets are released from restriction. Donor-restricted contributions are initially reported in the with donor restriction net asset class, even if it is anticipated such restrictions will be met in the current reporting period.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded initially at fair value, giving consideration to estimated future cash flows and a risk adjusted interest rate. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not recognized until the conditions on which they depend are substantially met.

Allowance is made for uncollectible contributions receivable based upon management's judgment and analysis of credit worthiness of the donors and past collection experience.

Contributions receivable at June 30, 2021 are due as follows: Within 1 year \$2,332,199; between 2 and 5 years \$6,675,000 and after 5 years \$8,000,000. The discount on outstanding pledges as of June 30, 2021 was \$1,379,951.

(h) Investments

Investments in mutual funds, U.S. government and agency obligations, corporate bonds, common stocks, and asset backed securities are reported at fair value, based primarily upon quoted market prices. Private investment funds are stated at estimated fair value based on the funds' net asset value (NAV), as a practical expedient, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2021 and 2020, the Organization had no plans or intentions to sell the private investment funds at an amount different from NAV. Realized and

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Notes to Combined Financial Statements

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unrealized gains and losses are reflected in the combined statements of activities. Interest and dividends are recognized when earned. Investment transactions are recorded on a trade date basis.

(i) Concentration of Risk

Financial instruments that potentially subject Catholic Charities to concentrations of investment risk include cash and cash equivalents, and investments in debt and equity securities. The Organization's investments are overseen by the Investment Committee of the Board of Directors in accordance with Catholic Charities' investment policy. Members of the Investment Committee are experienced in investment and financial management. Though the market value of investments is subject to market fluctuations, Catholic Charities believes that its investment policy is prudent for the long-term welfare of the Organization.

Revenue from federal, state, and local governments represents a significant portion of the Organization's total revenue. Changes in federal and state funding mechanisms, changes in regulatory requirements, and related government budgetary constraints could have an adverse effect on Catholic Charities' operations.

Credit risk with respect to accounts receivable is limited due to the creditworthiness of the government entities and organizations from whom the amounts are due.

(j) Property and Equipment

Property and equipment include assets intended for ongoing use in operations and are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives, which range from 25 to 40 years for buildings and improvements and 3 to 20 years for equipment. Maintenance and repairs are charged to expense as incurred. Impairment of long-lived assets are evaluated when circumstances indicate a triggering event has occurred.

(k) Purchase of Services by Governmental Agencies

Government agreements to serve the public are considered conditional contributions revenue and reported as revenue without donor restrictions at the time the service is provided to the public on behalf of the government, and qualifying expenses are incurred. These services are reported as purchase of services by government agencies. Amounts received in advance of goods or services provided are recorded as deferred revenue. Services provided by Catholic Charities under these agreements include school and learning readiness and case management services for low-income children, community housing and shelter services, immigration legal services, and other general services to assist low-income people and families to achieve self-sufficiency. Purchase of services by governmental agencies recognized as conditional contributions aggregated \$22,214,024 in 2021 and \$22,410,240 in 2020.

All other government revenues are the result of contracts with customers. These services include the operation of residential care facilities to provide the basic care, health, social service, and special education needs of children and developmentally disabled adults, and intensive diagnostic, stabilization, and treatment services to children with severe emotional and behavioral challenges. In addition, Catholic Charities operates an assisted living facility, a nursing home, low-income senior housing communities, intervention services for low-income children and their families, and behavioral

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health and substance use services. Revenues from these services provided are recognized over time, as the service is provided. Contractual relationships with these individuals and their families generally involve third party payors and transaction prices provided are dependent on negotiated rates for such services. Accordingly, net service revenue for these services is reported at the net realizable amounts to be received from individuals, families or third party payors. Revenue from contracts with customers aggregated \$82,409,367 in 2021 and \$85,254,103 in 2020.

Catholic Charities operates a residential treatment center whereby services are reimbursed by the State of Maryland Medicaid Program on a cost basis subject to annual ceilings. The Organization bills and receives an interim per diem rate during the year, which generally differs from the target rate cost basis for which revenue is recognized. The Organization ultimately settles final payment based upon an audited cost report filing of the residential treatment center's operating expenses.

(l) Rental Income

Rental payments received from residents of the Organization's low-income senior housing communities are recognized as revenue in the month earned. Prepayments by residents are deferred and applied to subsequent months. Substantially all residents qualify for resident housing assistance funds under Section 8 of the National Housing Act as administered by HUD or qualify for government-funded rent subsidy payments. Resident housing assistance payments from HUD, included in rental income aggregated \$12.2 million in 2021 and \$11.7 million in 2020.

(m) Program Service Fees

Program service fees are charged primarily to facility residents and program participants for the cost of care and services rendered that are not funded by a governmental agency assistance program or collected from third-party payors pursuant to the cost reimbursement methodology in effect for eligible participants.

(n) Donated Goods and Services

Donated goods and certain contributions of services are recorded at their estimated fair values on the date of contribution. Contributions of services are recognized as revenue if the services received create or enhance nonfinancial assets or are performed by individuals requiring specialized skills. Revenue and expenses from donated goods and services recognized were \$1.9 million in 2021 and \$1.8 million in 2020. Catholic Charities receives a significant amount of volunteer services, which do not meet the above criteria for recognition in the combined financial statements. Accordingly, the value of these services has not been recorded in the accompanying combined financial statements.

(o) Split-Interest Agreements

Split-interest agreements with donors consist primarily of charitable gift annuity agreements. Assets held under these agreements are included in investments and are recorded at fair value. Liabilities are recorded for the present value of the estimated future payments to be made to the donors or beneficiaries. Assets under the charitable annuity agreements as of June 30, 2021 and 2020 were \$1.3 million and \$1.2 million, respectively, and the related liabilities were \$0.7 million and \$0.8 million as of June 30, 2021 and 2020, respectively.

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(p) Capital Advances

Capital advances from the U.S. Department of Housing and Urban Development (HUD) to finance rental housing projects are considered liabilities until the period of compliance, generally 40 years, has expired. These advances do not bear interest and repayment is not required so long as the housing remains available to eligible elderly and disabled households, and is operated in compliance with the agreement with HUD. Upon default, however, the entire principal sum and interest per annum at a rate ranging from 3.0% to 8.375% would become due and payable. Capital advances aggregated \$98.7 million as of June 30, 2021 and 2020.

(q) Nonoperating Activities

Nonoperating revenue (expense) primarily consists of contributions for endowment and capital, and capital grants, as well as investment income (net of investment expenses), including realized and unrealized gains and losses.

(r) Income Taxes

As an affiliate of the Archdiocese, Catholic Charities and its affiliated organizations, except as set forth below, are included in the Official Catholic Directory and thus are exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. Management annually reviews its tax positions and has determined that there are no material uncertain tax positions that require recognition in the combined financial statements.

St. Mark's Housing, Inc., Hollins Ferry Road Apartments, Inc., Belair Senior Housing, Inc., Village Crossroads Senior Housing, Inc., and BPL, Inc. are for-profit corporations subject to federal income taxes under the Internal Revenue Code. St. Mark's L/P, Hollins Ferry Senior Housing L/P, Belair L/P, Village Crossroads Senior Housing L/P, and Basilica Place L/P are limited partnerships. No provision for income taxes was required in 2021 or 2020.

(s) Interest Rate Swaps and Cap Agreement

Catholic Charities is a party to interest rate swap and cap agreements to protect against interest rate risks associated with its variable rate Maryland Industrial Development Financing Authority (MIDFA) Bonds, Series 2013. The fair value of these agreements is recorded as an asset or a liability in the combined statements of financial position. The gain or loss resulting from changes in fair value of these instruments is recognized as interest expense in the combined statements of activities.

(t) Fair Value Measurements

Assets and liabilities that are reported at fair value on a recurring basis are categorized into a fair value hierarchy. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities.

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- Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities.

(u) Noncontrolling Interests

Noncontrolling interests are reported within net assets without donor restrictions on the combined statements of financial position and represent Catholic Charities' noncontrolling interest in three low-income senior housing partnerships.

(v) Related Parties

Several members of the Board of Directors are employed by organizations that provide services to Catholic Charities, primarily for utilities services, information technology support, building renovation, retirement plan management and investment services. Fees paid to companies that employ these board members aggregated \$3.6 million and \$11.3 million in 2021 and 2020, respectively. For all such transactions measures are taken to mitigate any actual or perceived conflicts, including requiring that such transactions be approved in advance by the board of directors and that all such transactions and relationships be reported annually to the board of directors.

Catholic Charities has revenue and expenses related to its relationship with the Archdiocese, including contributions, leasing, insurance and other benefits. Revenue earned from the Archdiocese was \$1.4 million and \$1.7 million in 2021 and 2020, respectively. Expenses to the Archdiocese aggregated \$20.1 million and \$20.3 million in 2021 and 2020, respectively.

(w) Functional Expenses

Catholic Charities allocates certain expenses on a functional basis among its various programs and supporting services. Expenses that can be identified with a specific program or supporting service are recorded directly. Other expenses that are common to several functions are allocated on various bases including the number of full-time equivalent employees and space usage.

(x) Recent Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, as amended. Under the new provision, all lessees will report on the statement of financial position right-of-use assets and liabilities for the obligation to make payments with the exception of those leases with a term of 12 months or less. The new provision will be effective for Catholic Charities in fiscal year 2023.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosure by Not-For-Profit Entities for Contributed Nonfinancial Assets*, which requires disaggregation of the presentation of financial and nonfinancial contributions revenue in the statement of activities and enhanced disclosures associated with nonfinancial contributions, including qualitative and fair value measurements, among others. ASU 2020-07 will be applied retrospectively and effective for Catholic Charities in 2022.

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(2) Investments

Investments consist of the following as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Certificates of deposit and cash	\$ 11,842,921	7,827,035
Mutual funds	24,606,760	16,754,109
U.S. government and agency obligations	9,241,686	9,119,584
Corporate bonds	4,298,275	6,192,718
Common stocks	42,614,424	33,040,291
Asset backed securities	147,102	273,203
Private investment funds	8,218,079	3,905,329
	<u>\$ 100,969,247</u>	<u>77,112,269</u>

(3) Borrowings under Line of Credit

Catholic Charities has a line of credit agreement that provides for borrowings up to \$15 million, effective October 2019 (previously \$20 million). Borrowings under the line of credit bear interest, payable monthly, at 125 basis points over the greater of 30-day LIBOR or 1%. As security for the line of credit, Catholic Charities granted the bank a security interest in certain revenue, cash receipts, and certain real and personal property, as defined in the agreement. The outstanding balance on the line of credit, which expires July 31, 2023, but can be extended at the sole discretion of the lender, was \$0 as of June 30, 2021 and 2020.

Interest paid on the line of credit borrowings was \$0 and \$19,343 in 2021 and 2020, respectively.

As of June 30, 2021 and 2020, Catholic Charities had outstanding irrevocable letters of credit of \$1.0 million, issued primarily to the State as security for self-funded unemployment insurance programs and to secure certain HUD and other development projects.

(4) Mortgages and Bonds Payable

Mortgages and bonds payable consist of the following as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Term loan with a bank	\$ 9,638,478	9,895,482
ACC MIDFA Bonds, Series 2013	9,770,417	10,980,417
HUD 202 Projects – Mortgages	23,677,079	24,163,281
Other mortgages	12,595,252	12,678,142
	<u>\$ 55,681,226</u>	<u>57,717,322</u>

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(a) Term Loan with a Bank

In October 2019, the Organization entered into a \$10 million term loan agreement with a bank to finance renovations to one of its properties. The term loan has a ten-year maturity, with monthly principal payments based on a 25-year amortization schedule. Interest is payable monthly at a rate equal to one-month LIBOR +1.39%. Borrowings under the term loan are secured by certain revenue and cash receipts and certain real and personal property, as defined in the agreement.

(b) ACC MIDFA Bonds, Series 2013

In June 2013, Catholic Charities issued Economic Development Refunding Revenue Bonds through the MIDFA, in the amount of \$19.1 million (Series 2013 Bonds). The bonds, which mature in 2035, were purchased by a bank and the proceeds loaned to Catholic Charities to redeem its MEDCO Bonds Series 1999, 2002, and 2004 Issues, its MIDFA Bonds Series 2009 Issue, and Jenkins Memorial Nursing Home's MEDCO Bonds Series 1997 Issue. At June 2023, the bank has the right to put the bonds back to Catholic Charities in an amount equal to the then remaining principal balance. Jenkins Memorial Nursing Home, Inc. is a limited guarantor under the bank loan.

The Series 2013 Bonds are repayable in monthly principal installments, beginning in July 2013 of \$92,000, increasing annually to monthly payments of \$110,000 in July of 2022, then decreasing to the final payment of \$51,000 in June 2035. Interest is payable monthly at a variable rate based on 72% of the sum of one-month LIBOR plus 1.76% multiplied by a Margin Rate Factor (the Factor) as defined in the Indenture. As a result of the Federal Tax Cuts and Jobs Act of 2017, the Factor increased from 1.0X to 1.215X effective January 1, 2018. Outstanding borrowings under the agreement are secured by certain revenue and cash receipts and certain real and personal property, as defined in the agreement. Catholic Charities must satisfy certain financial covenants as long as the bonds are outstanding.

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(c) HUD 202 Projects

Mortgages related to HUD 202 Projects consist of the following as of June 30, 2021 and 2020:

	2021	2020
<p>Various mortgages payable to/insured by HUD bearing interest at fixed rates ranging from 3.280% to 9.250%. These mortgages require monthly principal and interest payments of approximately \$204,000 with the installment on the final mortgage due in 2050. All of the property and equipment of the HUD 202 Projects is subject to lien under the mortgage agreements.</p>	\$ 14,657,027	15,214,064
<p>Various mortgages payable to the Community Development Administration, a division of the Department of Housing and Community Development of the State of Maryland, Baltimore County, Harford County, and Arundel Community Development Services, bear interest at fixed rates ranging from 0% to 4.5%. Upon default, however, the interest rate on certain of these mortgages will increase to 8.0%. These mortgages are subordinated to the related mortgages payable to HUD. The mortgage principal and accrued interest are due on the same day as the last monthly installment due on the related HUD mortgages or, in the case of capital advances, after 40 years. Also included are approximately \$480,000 of advances from Maryland Affordable Housing Trust and Federal Home Loan Bank in both fiscal years 2021 and 2020. These advances bear no interest and repayment is not required so long as the project remains available to very low income seniors for 15 years.</p>	9,020,052	8,949,217
	\$ 23,677,079	24,163,281

(d) Other Mortgages

Other mortgages consist of various mortgages payable to HUD, the Department of Housing and Community Development of the State of Maryland, Baltimore City, and various banks for the construction, purchase, and/or renovation of various program facilities. Monthly principal and interest payments are approximately \$35,000 for terms of 30 to 40 years with fixed interest rates ranging from 0% to 8%.

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(e) Principal Repayments

The aggregate amount of future principal payments and deferred interest on mortgages and bonds payable as of June 30, 2021 is as follows:

Fiscal year:		
2022	\$	2,380,807
2023		2,467,090
2024		2,008,502
2025		2,095,825
2026		1,985,696
Thereafter		<u>44,743,306</u>
	\$	<u><u>55,681,226</u></u>

Deferred interest is not paid unless noncompliance occurs with HUD mortgages as described above.

(f) Interest Rate Swap and Cap Agreements

In June 2013, the Organization entered into an interest rate swap agreement with an original notional amount of \$14.3 million, which amortizes monthly. Under this agreement, which matures in June 2023, the Organization paid through February 2018 a fixed rate of 3.3% and received variable interest payments of 72% of the sum of one-month LIBOR plus 1.76%. Effective March 1, 2018, the swap agreement was amended so that Catholic Charities will pay thereafter a fixed rate of 2.47% and will receive variable interest payments of 87.5% of one-month LIBOR. The fair value of this swap agreement included in other liabilities at June 30, 2021 and 2020 was \$294,791 and \$493,475, respectively.

In June 2013, Catholic Charities also entered into an interest rate cap agreement. The agreement has an original notional amount of \$4.8 million, which amortizes monthly. Under this agreement, which matures in June 2023, the Organization receives from the bank an amount equal to the excess interest expense (at a variable rate based on 72% of the sum of one-month LIBOR plus 1.76%) above 5.0%. The fair value of this agreement at June 30, 2021 and 2020 was an asset of \$89 and \$40, respectively. In connection with the agreement, Catholic Charities paid an up-front premium of \$86,200, which is deferred and is being amortized over the life of the cap agreement.

(g) Interest Paid

Catholic Charities paid interest related to mortgages and bonds payable of approximately \$1.4 million and \$1.5 million in 2021 and 2020, respectively.

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(5) Fair Value Measurements

The following tables present the Organization's fair value measurements for its financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2021 and 2020:

	2021			
	<u>Level 1</u>	<u>Level 2</u>	<u>NAV</u>	<u>Total</u>
Assets:				
Cash, cash equivalents, and restricted cash	\$ 9,395,739	—	—	9,395,739
Investments:				
Certificates of deposit and cash	11,842,921	—	—	11,842,921
Mutual funds	24,606,760	—	—	24,606,760
U.S. government and agency obligations	6,608,740	2,632,946	—	9,241,686
Corporate bonds	—	4,298,275	—	4,298,275
Common stocks	42,527,556	86,868	—	42,614,424
Asset backed securities	—	147,102	—	147,102
Private investment funds	—	—	8,218,079	8,218,079
Total fair value of investments	<u>\$ 85,585,977</u>	<u>7,165,191</u>	<u>8,218,079</u>	<u>100,969,247</u>
Liabilities:				
Interest rate swap and cap agreements	\$ —	(294,791)	—	(294,791)
	2020			
	<u>Level 1</u>	<u>Level 2</u>	<u>NAV</u>	<u>Total</u>
Assets:				
Cash, cash equivalents, and restricted cash	\$ 8,930,375	—	—	8,930,375
Investments:				
Certificates of deposit and cash	7,827,035	—	—	7,827,035
Mutual funds	16,754,109	—	—	16,754,109
U.S. government and agency obligations	5,034,267	4,085,317	—	9,119,584
Corporate bonds	—	6,145,909	46,809	6,192,718
Common stocks	32,974,879	65,412	—	33,040,291
Asset backed securities	—	273,203	—	273,203
Private investment funds	—	—	3,905,329	3,905,329
Total fair value of investments	<u>\$ 62,590,290</u>	<u>10,569,841</u>	<u>3,952,138</u>	<u>77,112,269</u>
Liabilities:				
Interest rate swap and cap agreements	\$ —	(493,475)	—	(493,475)

There were no transfers between levels for the years ended June 30, 2021 or 2020.

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Level 2 investments and liabilities consist of corporate bonds, government-sponsored debt securities, and interest rate swap and cap agreements, which do not have directly observable quoted prices in active markets, but are valued based upon broker quotes for similar securities in active markets.

Private investment funds are stated at NAV, as a practical expedient and are excluded from the fair value hierarchy. These funds are illiquid and not redeemable. As of June 30, 2021, the Organization has remaining unfunded commitments totaling \$2.0 million for its private investment funds.

(6) Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following as of June 30, 2021 and 2020:

	2021	2020
Contributions restricted for programs	\$ 18,642,502	4,659,378
Donor-restricted endowment funds (historical cost)	25,662,122	25,640,206
Endowment returns	34,982,508	23,489,043
Estates, trusts, and other net assets	313,470	265,418
Total	\$ 79,600,602	54,054,045

(7) Endowments

Catholic Charities' endowment funds consist of both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. The endowments were established for a variety of purposes of which 15% is for general agency use and the remaining is to be used for program services. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Board-designated endowment funds include \$7.3 million and \$5.9 million held as the Henry J. and Marion I. Knott Catholic Community Fund as of June 30, 2021 and 2020, respectively.

Catholic Charities has interpreted the Maryland Uniform Prudent Management of Institutional Funds Act (MUPMIFA) as requiring the Organization to manage and invest the individual donor-restricted endowment funds in good faith and prudence. Catholic Charities classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment where applicable in accordance with the donor gift instrument at the time the accumulation is added to the fund. In accordance with MUPMIFA, Catholic Charities considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the funds; (2) the mission of Catholic Charities and the purpose of donor-restricted endowment funds; (3) general economic conditions; (4) the possible effects of inflation and deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of Catholic Charities; and (7) the investment policies of Catholic Charities.

Catholic Charities has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

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To maximize investment performance, endowment assets are pooled with other Catholic Charities' investments and are invested in accordance with the Organization's Investment Policy Statement. The investment policy objectives include the long-term preservation of real purchasing power of the endowment assets, net of inflation and investment management costs, sufficient to fund the annual spending requirements discussed below, while limiting exposure to risk of loss. To satisfy its long-term return objectives, Catholic Charities relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Catholic Charities targets a diversified asset allocation to achieve its long-term objective within prudent risk constraints.

Catholic Charities annually appropriates a portion of its endowment funds for expenditure in the upcoming fiscal year. The amount appropriated is generally 5% to 6% of the trailing 12-quarter average balance of funds designated or restricted for such purposes. The computed value may be adjusted for large contributions, withdrawals, or market value swings as necessary to produce the desired level of cash. In all cases, appropriated amounts are subject to the intent of donors expressed in the gift instruments and the prudent spending requirements of MUPMIFA.

Endowment net asset composition by type of fund as of June 30, 2021 and 2020 is as follows:

	2021		
	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	\$ —	60,644,630	60,644,630
Board-designated endowment funds	17,889,241	—	17,889,241
Total funds	<u>\$ 17,889,241</u>	<u>60,644,630</u>	<u>78,533,871</u>
	2020		
	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	\$ —	49,129,249	49,129,249
Board-designated endowment funds	14,512,455	—	14,512,455
Total funds	<u>\$ 14,512,455</u>	<u>49,129,249</u>	<u>63,641,704</u>

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Changes in endowment net assets for the fiscal years ended June 30, 2021 and 2020 are as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Net assets as of June 30, 2019	\$ 14,035,148	46,904,669	60,939,817
Investment return:			
Investment income	271,725	918,689	1,190,414
Net appreciation (realized and unrealized)	<u>878,122</u>	<u>2,961,463</u>	<u>3,839,585</u>
Total investment return	1,149,847	3,880,152	5,029,999
Contributions	—	709,780	709,780
Appropriation of endowment assets for expenditure	<u>(672,540)</u>	<u>(2,365,352)</u>	<u>(3,037,892)</u>
Net assets as of June 30, 2020	<u>14,512,455</u>	<u>49,129,249</u>	<u>63,641,704</u>
Investment return:			
Investment income	309,785	1,050,349	1,360,134
Net appreciation (realized and unrealized)	<u>3,776,199</u>	<u>12,799,038</u>	<u>16,575,237</u>
Total investment return	4,085,984	13,849,387	17,935,371
Contributions	—	21,916	21,916
Appropriation of endowment assets for expenditure	<u>(709,198)</u>	<u>(2,355,922)</u>	<u>(3,065,120)</u>
Net assets as of June 30, 2021	<u>\$ 17,889,241</u>	<u>60,644,630</u>	<u>78,533,871</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or MUPMIFA requires Catholic Charities to retain as a fund of perpetual duration. These shortfalls result from unfavorable market fluctuations. There were no significant shortfalls of this nature as of June 30, 2021 or 2020.

(8) Retirement Plans

Certain employees of Catholic Charities participate in the Retirement Plan for Lay Employees of the Archdiocese of Baltimore with other affiliated organizations of the Archdiocese, which is a single-employer plan under common control. Effective July 1, 2011, the Archdiocese froze participation in and benefits accumulation of its plan. Accordingly, no Catholic Charities' employees hired subsequent to that date will become participants and benefits accumulated as of July 1, 2011 are frozen. Benefits were based on age, years of service, and level of compensation.

Pension-related expense, which was \$0.5 million and \$0.8 million in 2021 and 2020, respectively, is determined and allocated by the Archdiocese to Catholic Charities and is the amount that Catholic Charities is to remit to the Archdiocese. Annual cash payments, which are also determined by and made to

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the Archdiocese for remittance to the plan, were \$2.1 million and \$1.6 million in 2021 and 2020, respectively. The net amount due to the Archdiocese as of June 30, 2021 and 2020 is \$0.2 million and \$1.4 million, respectively.

Participating employers, including Catholic Charities, are responsible for continued funding of the plan for their proportional participation as well as nonperformance of other affiliated employers, if any. Risks of participation in the plan include the following: (a) assets contributed to the plan by one employer may be used to provide benefits to employees of other participating employers; and (b) if a participating employer withdraws from the plan, the unfunded obligation of the plan may be borne by the remaining participating employers. As of June 30, 2021, the plan was less than 65% funded.

Effective July 1, 2011, Catholic Charities adopted its own 403(b) employee retirement plan, which permits participants to defer a percentage of their salary, on a pretax basis, and allows Catholic Charities to make discretionary contributions, based on participants' eligible compensation. Employer contributions are subject to vesting requirements. Expense incurred for the 403(b) retirement plan was \$0.1 million and \$2.3 million for 2021 and 2020, respectively. In 2021, Catholic Charities reduced its discretionary contributions in response to COVID-19 uncertainties.

(9) Liquidity and Availability

Catholic Charities regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds.

As of June 30, 2021 and 2020, the following assets could readily be available within one year to meet general expenditures:

	2021	2020
Cash and cash equivalents	\$ 6,791,283	5,323,266
Operating investments	12,554,988	3,164,614
Approved endowment payout for next fiscal year	3,562,000	3,308,590
Accounts receivable, net	20,199,860	16,266,485
Contributions receivable due within 1 year	2,332,199	250,000
Financial assets available to meet general expenditures over the next year	\$ 45,440,330	28,312,955

The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, investments, and a \$15 million line of credit, of which \$15 million was available to draw as of June 30, 2021, for working capital purposes. The Organization's cash flows have variations during the year attributable to seasonal variations in billings, concentration of contributions received at calendar year ends, and timing of events. Operating investments include only amounts that are without donor restrictions.

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(10) Leases

Catholic Charities has entered into commitments to lease certain office and program space. The lease terms expire at various dates through December 2025. The following is a schedule of future minimum lease payments required under the operating leases that have remaining lease terms in excess of one year as of June 30, 2021:

Fiscal year:		
2022	\$	890,189
2023		591,856
2024		438,737
2025		304,267
2026		134,626
Thereafter		<u>—</u>
	\$	<u><u>2,359,675</u></u>

The minimum rentals above do not include additional payments for insurance, property taxes, and maintenance costs that may be due as provided for in the lease agreements. Rent expense was approximately \$1.7 million and \$2.0 million for 2021 and 2020, respectively.

(11) Other Commitments and Contingencies

Catholic Charities is engaged in various legal proceedings arising out of and incidental to its businesses. After reviewing developments with legal counsel, management is of the opinion that these legal proceedings will not have a material adverse effect on the combined financial position of Catholic Charities.

Amounts received and expended by the Organization under various federal and state programs are subject to audit by governmental agencies. In the opinion of management, audit adjustments, if any, will not have a significant effect on the combined financial position of the Organization.

The Organization entered into an agreement that obligates it to purchase solar net metering credits over a twenty-year period. The credits will offset and fix the cost of electricity for approximately 37% of ACC's annual power usage.

(12) Subsequent Events

Management evaluated subsequent events that occurred after June 30, 2021 and through October 28, 2021 and determined that no adjustments or disclosures to the combined financial statements were required, except at follows:

On July 29, 2021, St. Joachim House, Inc. transferred via deed the 90-unit apartment building that it owns to DePaul House, Inc., which operates a 109-unit apartment building. In connection with the transfer, DePaul House, Inc. entered into a 35-year HUD-insured mortgage for \$11.5 million. Net proceeds of the mortgage were primarily used to (i) establish an escrow fund to be used for renovations to the two properties, (ii) fund reserves for replacement, and (iii) pay transaction costs.

SUPPLEMENTARY FINANCIAL INFORMATION

**ASSOCIATED CATHOLIC CHARITIES, INC.
AND AFFILIATED ORGANIZATIONS**

Supplemental Combining Statement of Financial Position

June 30, 2021

Assets	ACC (A)	Senior Communities (B)	Eliminations (C)	Combined
Cash and cash equivalents	\$ 3,731,819	3,059,464	—	6,791,283
Restricted cash	1,631,453	973,004	—	2,604,457
Accounts receivable, less allowance for doubtful accounts	19,686,849	513,011	—	20,199,860
Contributions receivable, net	15,627,248	—	—	15,627,248
Prepaid expenses and other assets	2,263,067	1,543,588	—	3,806,655
Investments, at fair value	95,448,641	5,520,606	—	100,969,247
Property and equipment, net	51,804,656	88,249,672	(6,771,185)	133,283,143
Intercompany	9,468,284	(9,468,284)	—	—
Total assets	\$ 199,662,017	90,391,061	(6,771,185)	283,281,893
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	\$ 5,360,072	916,976	—	6,277,048
Accrued salaries and benefits	11,242,745	174,439	—	11,417,184
Accrued interest	740,232	425,458	—	1,165,690
Deferred revenue	751,394	58,758	—	810,152
Other liabilities	6,499,033	785,039	—	7,284,072
Capital advances	5,980,900	92,742,022	—	98,722,922
Mortgages and bonds payable	25,075,334	30,605,892	—	55,681,226
Total liabilities	55,649,710	125,708,584	—	181,358,294
Net assets (deficits):				
Without donor restrictions – controlling interest	64,411,705	(41,608,676)	(6,771,185)	16,031,844
Without donor restrictions – noncontrolling interest	—	6,291,153	—	6,291,153
Total without donor restrictions	64,411,705	(35,317,523)	(6,771,185)	22,322,997
With donor restrictions	79,600,602	—	—	79,600,602
Total net assets	144,012,307	(35,317,523)	(6,771,185)	101,923,599
Total liabilities and net assets	\$ 199,662,017	90,391,061	(6,771,185)	283,281,893

See accompanying independent auditors' report.

Notes: The combining statement of financial position is included to separately present the assets, liabilities, and net assets of the Organization's low-income senior housing communities, which include a substantial investment in property and equipment, financed primarily with mortgages, and capital advances from the United States Department of Housing and Urban Development (HUD) (Senior Communities). The Senior Communities' net deficits relate primarily to depreciation of property and equipment, which is not currently funded by HUD.

- (A) Comprising Associated Catholic Charities, Inc., and certain of its affiliated organizations, as follows: Jenkins Memorial Nursing Home, Inc. (St. Elizabeth's), Cherry Hill Town Center, Inc., My Sister's Place Women's Center Fund, Inc., Our Daily Bread Employment Center Fund, Inc., Sarah's House Fund, Inc., Catholic Charities Nursing, Inc., Esperanza Center Health Services, Inc., and Irvington My Brother's Keeper, Inc.
- (B) Comprising the Organization's low-income senior communities, as follows: Catholic Charities Housing, Inc. (Basilica Place), DePaul House, Inc., Bethany Community, Inc., St. Charles House, Inc., Backbone Housing, Inc. (Starn Hill), Coursey Station Apartments, Inc., St. Luke's Apartments, Inc., St. Mark's Housing, Inc., St. Mark's Limited Partnership, St. Joachim House, Inc., Trinity House Apartments, Inc., Hollins Ferry Road Apartments, Inc., Hollins Ferry Senior Housing Limited Partnership, Belair Senior Housing, Inc., Belair Limited Partnership, Odenton Senior Housing, Inc., Glen Burnie Senior Housing, Inc., Reisterstown Village Senior Housing, Inc., Reisterstown Gardens Senior Housing, Inc., Owings Mills Senior Housing, Inc., Aberdeen Senior Housing, Inc., Woodlawn Senior Housing, Inc., Abingdon Senior Housing, Inc., Odenton Senior Housing II, Inc., OLF Senior Housing, Inc., OLF Senior Housing II, Inc., Village Crossroads Senior Housing, Inc., Village Crossroads Senior Housing Limited Partnership, Village Crossroads Senior Housing II, Inc., Basilica Place Limited Partnership, and BPL, Inc.
- (C) The elimination relates primarily to construction developer fees paid by the HUD communities to ACC.