



Catholic Charities of the Archdiocese of Washington, Inc. and Affiliates

**Consolidated Financial Statements
and Independent Auditor's Report
Years ended June 30, 2022 and 2021**

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.



**Catholic Charities of the Archdiocese
of Washington, Inc. and Affiliates**

Consolidated Financial Statements
and Independent Auditor's Report
Years ended June 30, 2022 and 2021

Catholic Charities of the Archdiocese of Washington, Inc. and Affiliates

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Independent Auditor's Report

The Corporate Members and Board of Directors
**Catholic Charities of the Archdiocese
of Washington, Inc. and Affiliates**
Washington, D.C.

Opinion

We have audited the consolidated financial statements of **Catholic Charities of the Archdiocese of Washington, Inc. and Affiliates** (Catholic Charities), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Catholic Charities as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated 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.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 within one year after the date that the consolidated financial statements are issued or available to be issued.



Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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.

BDO USA, LLP

December 7, 2022

Consolidated Financial Statements

Catholic Charities of the Archdiocese of Washington, Inc. and Affiliates

Consolidated Statements of Financial Position (dollars in thousands)

<i>June 30,</i>	2022	2021
Assets		
Cash and cash equivalents (note 1)	\$ 22,226	\$ 18,912
Receivables, net of allowance of \$1,129 and \$835 in 2022 and 2021, respectively	9,539	12,688
Contributions receivable, net of allowance of \$249 and \$466 in 2022 and 2021, respectively (note 3)	22,956	26,432
Prepaid expenses and other assets	1,865	1,469
Investments (note 4)	36,676	41,942
Property and equipment, net (note 5)	25,471	26,151
Total assets	\$ 118,733	\$ 127,594
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 2,358	\$ 2,312
Accrued expenses	7,683	6,202
Mortgage and notes payable (note 6)	-	16
Paycheck protection program loan (note 6)	-	4,817
Refundable advances	6,976	7,082
Funds held on behalf of others	120	146
Total liabilities	17,137	20,575
Commitments and contingencies		
Net assets		
Without donor restrictions (note 12):		
Undesignated	2,350	(1,609)
Board designated	9,571	9,030
Invested in property and equipment	23,269	23,933
Total without donor restrictions	35,190	31,354
With donor restrictions (note 13):		
Restricted for program activities or time	42,146	52,466
Restricted for property and equipment	100	100
Donor restricted endowment	24,160	23,099
Total with donor restrictions	66,406	75,665
Total net assets	101,596	107,019
Total liabilities and net assets	\$ 118,733	\$ 127,594

See accompanying notes to the consolidated financial statements.

Catholic Charities of the Archdiocese of Washington, Inc. and Affiliates

Consolidated Statements of Activities (dollars in thousands)

<i>Years ended June 30,</i>	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains, and other support:						
Contributions	\$ 4,145	\$ 4,177	\$ 8,322	\$ 5,264	\$ 2,572	\$ 7,836
Legacies and bequests	1,987	-	1,987	395	-	395
Special events	2,126	137	2,263	946	87	1,033
Archdiocese of Washington (note 9)	121	500	621	149	845	994
Capital campaign	-	5,921	5,921	-	26,140	26,140
Foundation grants	374	-	374	311	-	311
Government grants and contracts	41,611	-	41,611	40,953	-	40,953
Service fees	7,133	-	7,133	8,014	-	8,014
Food sales	2,776	-	2,776	3,067	-	3,067
Other income	702	-	702	476	-	476
Investment return, net	(798)	(5,073)	(5,871)	875	7,919	8,794
In-kind contributions (note 11)	19,374	-	19,374	16,721	-	16,721
Net assets released from restriction (note 13)	14,921	(14,921)	-	16,130	(16,130)	-
Total revenue, gains, and other support	94,472	(9,259)	85,213	93,301	21,433	114,734
Expenses:						
Program services	83,343	-	83,343	79,294	-	79,294
Supporting services:						
Management and general	9,649	-	9,649	9,225	-	9,225
Fund-raising	2,461	-	2,461	2,545	-	2,545
Total expenses	95,453	-	95,453	91,064	-	91,064
Change in net assets before paycheck protection program (PPP) loan extinguishment	(981)	(9,259)	(10,240)	2,237	21,433	23,670
PPP loan extinguishment	4,817	-	4,817	989	-	989
Change in net assets	3,836	(9,259)	(5,423)	3,226	21,433	24,659
Net assets, beginning of year	31,354	75,665	107,019	28,128	54,232	82,360
Net assets, end of year	\$ 35,190	\$ 66,406	\$ 101,596	\$ 31,354	\$ 75,665	\$ 107,019

See accompanying notes to the consolidated financial statements.

Catholic Charities of the Archdiocese of Washington, Inc. and Affiliates

Consolidated Statement of Functional Expenses (dollars in thousands)

Year ended June 30, 2022	Program Services						Supporting Services				
	Adult and children clinical services	Developmental disabilities services	Enterprises, education and employment	Family, parish and community outreach	Homeless and housing services	Newcomer network	Total program services	Management and general	Fund raising	Total supporting services	Total program and supporting services
Payroll	\$ 10,157	\$ 4,371	\$ 3,550	\$ 1,967	\$ 9,658	\$ 2,137	\$31,840	\$ 5,557	\$ 1,134	\$ 6,691	\$ 38,531
Benefits	1,774	859	751	361	1,696	345	5,786	1,028	161	1,189	6,975
Payroll taxes	743	320	263	144	714	147	2,331	389	84	473	2,804
Staff expenses	102	61	6	21	68	24	282	135	4	139	421
Professional services	150	149	48	8	4,792	1	5,148	1,124	191	1,315	6,463
Office expense	399	48	83	31	158	71	790	373	411	784	1,574
Communications	287	81	84	53	220	63	788	142	27	169	957
Program expenses	1,790	397	533	139	541	27	3,427	-	-	-	3,427
Client assistance	109	5	-	4,205	679	49	5,047	-	-	-	5,047
Direct cost of food sales	-	-	2,455	-	-	-	2,455	-	-	-	2,455
Facilities	928	941	278	166	930	197	3,440	382	52	434	3,874
Special events	-	-	-	-	-	-	-	-	526	526	526
Depreciation and amortization	414	237	199	94	468	48	1,460	376	32	408	1,868
Bad debt	660	52	73	-	(7)	-	778	-	(168)	(168)	610
Interest	-	-	-	-	-	-	-	(58)	-	(58)	(58)
Income and other taxes	5	3	6	5	-	-	19	-	-	-	19
Miscellaneous	246	25	56	27	35	31	420	201	7	208	628
In-kind services (note 11)	13,141	-	50	978	-	5,163	19,332	-	-	-	19,332
Total expenses	\$ 30,905	\$ 7,549	\$ 8,435	\$ 8,199	\$19,952	\$ 8,303	\$83,343	\$ 9,649	\$ 2,461	\$ 12,110	\$ 95,453

See accompanying notes to the consolidated financial statements.

Catholic Charities of the Archdiocese of Washington, Inc. and Affiliates

Consolidated Statement of Functional Expenses (dollars in thousands)

Year ended June 30, 2021	Program Services						Supporting Services				
	Adult and children clinical services	Developmental disabilities services	Enterprises, education and employment	Family, parish and community outreach	Homeless and housing services	Newcomer network	Total program services	Management and general	Fund-raising	Total supporting services	Total program and supporting services
Payroll	\$ 10,542	\$ 4,352	\$ 3,783	\$ 1,844	\$ 10,220	\$ 1,781	\$ 32,522	\$ 5,668	\$ 1,109	\$ 6,777	\$ 39,299
Benefits	1,873	829	833	343	1,827	272	5,977	1,041	189	1,230	7,207
Payroll taxes	761	316	272	133	748	118	2,348	390	81	471	2,819
Staff expenses	77	34	13	15	55	14	208	84	5	89	297
Professional services	86	59	44	2	4,252	16	4,459	673	170	843	5,302
Office expense	451	40	57	24	136	58	766	291	419	710	1,476
Communications	319	93	70	50	211	54	797	111	26	137	934
Program expenses	1,559	107	534	196	612	31	3,039	-	-	-	3,039
Client assistance	111	19	4	2,947	751	6	3,838	-	-	-	3,838
Direct cost of food sales	-	-	2,659	-	-	-	2,659	-	-	-	2,659
Facilities	982	878	252	125	940	163	3,340	329	48	377	3,717
Special events	-	-	-	-	-	-	-	-	174	174	174
Depreciation and amortization	539	200	162	39	446	49	1,435	397	39	436	1,871
Bad debt	837	1	26	-	46	-	910	-	273	273	1,183
Interest	5	3	-	-	-	-	8	55	-	55	63
Income and other taxes	12	-	-	-	-	-	12	-	-	-	12
Miscellaneous	82	53	47	20	30	23	255	186	12	198	453
In-kind services (note 11)	9,463	-	29	1,009	-	6,220	16,721	-	-	-	16,721
Total expenses	\$ 27,699	\$ 6,984	\$ 8,785	\$ 6,747	\$ 20,274	\$ 8,805	\$ 79,294	\$ 9,225	\$ 2,545	\$ 11,770	\$ 91,064

See accompanying notes to the consolidated financial statements.

Catholic Charities of the Archdiocese of Washington, Inc. and Affiliates

Consolidated Statements of Cash Flows (dollars in thousands)

Years ended June 30,	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (5,423)	\$ 24,659
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,868	1,871
Bad debt expense	610	1,183
(Gain) loss from disposal of property and equipment	(10)	244
Net loss (gain) on investments, unrealized	8,559	(5,083)
Net gain on investments, realized	(2,575)	(3,341)
Receipt of contributions for endowment	(827)	(203)
Receipt of contributions revenue for property and equipment	(248)	(139)
PPP loan extinguishment	(4,817)	(989)
(Increase) decrease in assets:		
Receivables	2,539	(5,128)
Contributions receivable	3,156	(11,886)
Prepaid expenses and other assets	(396)	(470)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	1,321	(567)
Refundable advances	(106)	923
Funds held on behalf of others	(26)	(516)
Net cash provided by operating activities	3,625	558
Cash flows from investing activities:		
Purchases of investments	(14,367)	(19,609)
Proceeds from sales and maturities of investments	13,649	18,402
Proceeds from sale of property and equipment	311	-
Purchases of property and equipment	(1,283)	(574)
Net cash used in investing activities	(1,690)	(1,781)
Cash flows from financing activities:		
Repayments of line-of-credit	-	(1,000)
Repayment of paycheck protection program loan	-	(290)
Contributions receivable restricted for long term purpose	320	875
Contributions for endowment	827	203
Contributions for property and equipment	248	139
Repayments of mortgages and notes payable	(16)	(82)
Net cash provided by (used in) financing activities	1,379	(155)
Net increase (decrease) in cash and cash equivalents	3,314	(1,378)
Cash and cash equivalents at the beginning of the year	18,912	20,290
Cash and cash equivalents at the end of the year	\$ 22,226	\$ 18,912
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ -	\$ 7
Cash paid for income taxes	\$ 18	\$ 12
Supplemental disclosure of noncash financing activity:		
PPP loan extinguishment	\$ 4,817	\$ 989
Purchase of property and equipment in accounts payable	\$ 206	\$ 75

See accompanying notes to the consolidated financial statements.

Catholic Charities of the Archdiocese of Washington, Inc. and Affiliates

Notes to the Consolidated Financial Statements

1. Organization and Summary of Significant Accounting Policies

General

Catholic Charities of the Archdiocese of Washington, Inc. (CCADW) is a Catholic social service agency designed to deliver and coordinate services to ensure the greatest outreach and impact for those who are served. CCADW and its affiliated agencies; Anchor Mental Health Association Inc. (Anchor), Lt. Joseph P. Kennedy Institute, Inc. (Kennedy), and Spanish Catholic Center, Inc. (SCC) operate as one integrated social service agency. The Catholic Charities of the Archdiocese of Washington Foundation, Inc. (Foundation) manages endowment assets to support the services provided by CCADW and its affiliates. In addition to the above-named entities, Anchor Housing Corporation (AHC), Kennedy Institute Housing Corporation (Kennedy Housing I) and Kennedy Institute Housing Corporation II (Kennedy Housing II) are included in the consolidated financial statements. Collectively, these organizations are referred to as Catholic Charities. Each of the entities is a separate tax-exempt corporation.

The major service areas are presented in the consolidated statements of functional expenses.

Adult and Children Clinical Services has three main areas of professional services:

Health Services - provides medical, dental, and behavioral health services to the uninsured, to immigrants, and to chronically mentally ill adults. The Catholic Charities Health Care Network, a program of Catholic Charities, provides referrals for the uninsured to a large network of medical practitioners and facilities that donate their services. Clinical services are also supported with employment and housing services.

Legal Services - provides civil and immigration legal services to the poor, refugees, and other immigrants. Legal services for civil matters are provided through the Catholic Charities Legal Network, a program of Catholic Charities, through a network of pro bono providers. Immigration legal services are provided by an in-house legal staff as well as a network of pro bono providers.

Children Services - provides case management and crisis behavioral health services to children, teens, and their families.

Developmental Disabilities Services provides educational, therapeutic rehabilitation, and personal support to individuals with developmental disabilities.

Enterprises, Education and Employment provides a variety of services to the community, including:

Food & Nutrition Services - provides meals to the chronically mentally ill, the aging, and the homeless; operates a wholesale food bank that supplies food pantries and soup kitchens; and operates a warehouse to provide community access to nutritional food at below retail prices.

Employment Services - provides job readiness preparation for food services, cleaning services, and government agencies, as well as ongoing employment support; and employs individuals requiring supportive services.

Catholic Charities of the Archdiocese of Washington, Inc. and Affiliates

Notes to the Consolidated Financial Statements

Education Services - provides training in the areas of construction, green construction, building maintenance, and professional counseling; teaches English as a Second language (ESL) and Spanish classes; assists refugees in adapting to local employment requirements; and provides social services to assist the immigrant population with employment-related issues.

Family, Parish and Community Outreach is engaged in linking Catholic Charities with the wider community by operating family centers; providing case management services to assist Parishes; engaging Catholic schools and other volunteers in Catholic Charities programs; and assisting Parishes in establishing social ministries.

Homeless and Housing Services operates emergency shelters and provides supported and transitional housing. Case management and other supportive services are provided in all housing programs.

Newcomer Network aims to help immigrants in need become more stable, empowered and connected to the community by making three programmatic investments: scaling immigration legal services, connecting immigrants to comprehensive supports, and leveraging the Archdiocesan parish network to achieve broader impact across the region.

Principles of Consolidation

The consolidated financial statements include the accounts of Catholic Charities. All significant intra-entity transactions have been eliminated in consolidation.

Basis of Accounting

The accompanying consolidated financial statements of Catholic Charities are presented in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) and have been prepared on the accrual basis of accounting.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

Catholic Charities considers all highly liquid instruments with original maturities of three-months or less to be cash equivalents, excluding cash equivalents held for long-term investment purposes by investment custodians. Cash equivalents consist of investments in overnight sweep accounts. Restricted cash of \$120 thousand and \$146 thousand was held on behalf of others as of June 30, 2022 and 2021, respectively.

Catholic Charities of the Archdiocese of Washington, Inc. and Affiliates

Notes to the Consolidated Financial Statements

Catholic Charities holds cash that is restricted for specific programs of \$384 thousand and \$411 thousand for the years ended June 30, 2022 and 2021, respectively.

Concentrations of Credit Risk

Catholic Charities is subject to credit risk concentrations principally from cash and cash equivalents, investments, contributions receivable, and accounts receivable. Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. Catholic Charities has never experienced any losses related to these balances. Amounts in excess of the Federal Deposit Insurance Corporation (FDIC) insured limit totaled approximately \$21.1 million as of June 30, 2022. Investments are subject to market fluctuations that may materially affect the investment balance. Contributions receivable consist primarily of amounts due from donors. The accounts receivable balances consist primarily of amounts due from grantors and other non-profit organizations. Historically, Catholic Charities has not experienced significant losses related to contributions receivable or accounts receivable and, therefore, does not believe that there is a material credit risk related to contributions receivable and accounts receivable.

Investments and Fair Value Measurements

Investments are recorded at fair value, based on quoted market prices. Management reviews and evaluates the values provided and agrees with the valuation methods and assumptions used in determining fair value of these investments.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

Fair value is based on the assumptions market participants would use when pricing an asset or liability and a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to assumptions (unobservable inputs). These levels are:

Level 1: Quoted prices in active markets for identical assets or liabilities. Level 1 assets held by Catholic Charities include mutual funds, equity securities, and exchange traded funds.

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 2 assets held by Catholic Charities include fixed income securities.

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 liability. Level 3 assets held by Catholic Charities include pooled funds.

Investment expense, such as investment management fees, are netted against investment income in the consolidated statements of activities. Investment management fees were deemed immaterial for disclosure by management.

Catholic Charities of the Archdiocese of Washington, Inc. and Affiliates

Notes to the Consolidated Financial Statements

Receivables and Allowance for Uncollectible Accounts

Accounts receivable are stated at invoiced amount net of an allowance for doubtful accounts. Catholic Charities establishes an allowance for doubtful accounts based on historical experience and any specific customer collection issues that have been identified. Uncollectible accounts receivable are written off when a settlement is reached for an amount that is less than the outstanding historical balance or when it has been determined that the balance will not be collected. As of June 30, 2022 and 2021, Catholic Charities had an allowance for uncollectible accounts of \$1.129 million and \$835 thousand, respectively.

Catholic Charities' program service revenues are earned from both annual and multiyear contracts with various governmental agencies from the District of Columbia, State of Maryland, Montgomery County, Maryland, and the federal government. A significant portion of the accounts receivable is owed to Catholic Charities by these governments, which exposes Catholic Charities to concentration of risk.

Included in receivables is a promissory note (the Note) due to Catholic Charities in connection with sale of a property. The Note is secured by a Second Deed of Trust, bears interest at 5.25%, with principal and interest payable monthly based on a 20 year amortization schedule with balloon payment due at maturity on April 26, 2029. As of June 30, 2022 and 2021, the balance of the Note was approximately \$91 thousand and \$94 thousand, respectively.

Contributions Receivable and Allowance for Uncollectible Accounts

Contributions receivable consist of unconditional promises to give primarily related to the capital campaign. Contributions receivable are recorded net of an allowance for estimated uncollectible contributions and a discount for amounts due beyond one year. As of June 30, 2022 and 2021, Catholic Charities had an allowance for uncollectible accounts of \$249 thousand and \$466 thousand, respectively.

Property and Equipment, Net

Acquisitions of property and equipment are recorded at cost. Depreciation on all property and equipment is calculated using the straight-line method over the estimated useful lives of the assets or the lease term if lesser for leasehold improvements as follows:

Furniture and equipment	3-10 years
Automobiles	5 years
Buildings and improvements	5-40 years
Leasehold improvements	4-20 years

Donated assets are recorded at fair value at date of donation.

Under Canon law, the rules governing the operation of the Catholic Church, most real property recorded in these consolidated financial statements is titled to the Archbishop of Washington or if titled to Catholic Charities, may not be sold, leased, or transferred without approval of the Archbishop of Washington.

Catholic Charities of the Archdiocese of Washington, Inc. and Affiliates

Notes to the Consolidated Financial Statements

Charitable Gift Annuities

Catholic Charities is the beneficiary of eight charitable gift annuities. Under the charitable gift annuity agreements, Catholic Charities pays a fixed annuity amount for the life of the beneficiaries and is entitled to the remainder upon the beneficiaries' death. In the year of the gift, contribution revenue is recognized based on the net amount of the assets and liabilities relating to the charitable gift annuities. The assets held for charitable gift annuities are stated at fair value and are included as investments in the consolidated statements of financial position. The liability for future amounts due to beneficiaries is recorded as the present value of the estimated future payments based on actuarial assumptions, including discount rates and estimated life expectancies, in accrued expenses in the consolidated statements of financial position. Adjustments to the liability balance to reflect any changes in actuarial assumptions and amortization of discount are recognized as contributions in the consolidated statements of activities.

The discount rates were determined at the time of the initial contribution and range from 4.30% to 9.50%. The estimated life expectancies used are from Section 7520 of the Internal Revenue Code (the IRC).

Balances associated with charitable gift annuities as of June 30, 2022 and 2021 included a liability to beneficiaries of \$79 thousand and \$84 thousand, respectively. During each of the years ended June 30, 2022 and 2021, Catholic Charities recorded contributions of \$2 thousand associated with charitable gift annuities.

Refundable Advances

Amounts received in advance of the period in which revenue is earned are refundable. Refundable advances includes advance payments on government and private grants and contracts which will be recognized as costs are incurred under the terms of the agreements. It also includes payments on conditional contributions received where the donors' conditions have not been met.

Conditional Grant and Construction Loan

On August 17, 2017, Catholic Charities executed a \$1.600 million Shelter and Transitional Housing Facilities Grant (Grant) from the State of Maryland Department of Housing & Community Development (DHCD) to partially fund the acquisition and construction of Angel's Watch Shelter. DHCD recorded a lien on the property which will be released on August 17, 2032 if the property has continued to be operated in accordance with the provisions of the Grant.

On August 17, 2017, Catholic Charities executed a \$500 thousand loan from Federal Home Loan Bank of Atlanta (the Construction Loan) to partially fund the construction of the Angel's Watch Shelter. The Construction Loan does not bear interest and is not repayable if the property has continued to be operated in accordance with the provisions of the Construction Loan agreement through August 17, 2032.

Catholic Charities of the Archdiocese of Washington, Inc. and Affiliates

Notes to the Consolidated Financial Statements

Under Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, amounts received from DHCD and Federal Home Loan Bank of Atlanta are considered to be conditional contributions. As of June 30, 2022 and 2021, the balance of the Grant and the Construction Loan were \$1.600 million and \$500 thousand, respectively. These amounts are received and recorded in refundable advances in the consolidated statements of financial position. Revenue from such conditional contributions is recognized when the condition on which the contribution depends are substantially met.

Department of Housing and Urban Development (HUD) Capital Advances

Kennedy Housing I and II obtained capital advances from HUD under Section 811 of the Housing Act of 1959. The Section 811 program is a federally assisted program designed to provide housing for the elderly and handicapped. Section 811 capital advances and interest need not be repaid as long as the project owner continues to make the housing available for the low-income elderly and handicapped for at least 40 years from the date of commencing operations.

HUD capital advances of \$2.500 million are included in refundable advances in the consolidated statements of financial position as of June 30, 2022 and 2021.

Replacement Reserve

In accordance with the provisions of a regulatory agreement between HUD and AHC, Kennedy Housing I, and Kennedy Housing II, certain cash and investments are to be used for the replacement of property with the approval of HUD. These amounts are included in cash and cash equivalents on the consolidated statements of financial position. The replacement reserve, at fair value (Level 1), consisted of the following (dollars in thousands):

<i>June 30,</i>		2022		2021
AHC	\$	195	\$	204
Kennedy Housing I		70		95
Kennedy Housing II		71		63
Total replacement reserves	\$	336	\$	362

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Catholic Charities and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to any donor-imposed stipulations, even though their use may be limited based on other conditions, such as by board designation.

Net assets with donor restrictions - Net assets subject to donor-imposed restrictions on their use that may be met either by actions of Catholic Charities or the passage of time; as well as net assets subject to donor-imposed or other legal restrictions requiring that the principal be maintained in perpetuity.

Catholic Charities of the Archdiocese of Washington, Inc. and Affiliates

Notes to the Consolidated Financial Statements

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed or time restrictions. Expenses are reported as decreases in net assets without donor restrictions. Donor-restricted contributions, where it is anticipated that such restrictions will be met in the current reporting period, are recorded as without donor restrictions in the period received. Expirations of donor-imposed restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Revenue Recognition

Government agreements to serve the public are considered conditional contributions and reported as contribution revenue without donor restrictions at the time the service is provided to the public on behalf of the government, substantially meeting the condition. Contracted services are reported as contribution revenue without donor restrictions at the time services are provided on behalf of the government entities. Government agreements and contracted services are recorded in the consolidated statements of activities under government grants and contracts. Foundation grants are considered conditional contribution revenue and are recognized as contribution revenue without donor restrictions in the period the services are provided to the public, substantially meeting the condition. Amounts received in advance of services or goods provided are recorded as refundable advances.

Contributions of property or equipment are recorded as revenue without donor restrictions unless donor stipulations specify how the property must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are recorded as restricted support. This restriction is released once the assets are placed in service, except in situations where the donor restriction extends beyond the point when the assets are placed in service. If the agreement specifies that the acquired property or equipment must be used for a specified period of time; the restriction is released over the period of time specified.

Food sales are recognized as revenue when the food is delivered to the clients.

Service fees for behavioral health services rendered under the Medicaid Rehabilitation Option Service (MRO) program are reimbursed on a fee for service basis in accordance with a fee schedule provided in the MRO agreement. Revenue is recognized in the period the related services are rendered and is included in service fees as revenue without donor restrictions.

Contributions, legacies and bequests, special event contributions, Archdioceses of Washington contributions, and capital campaign contributions, including unconditional promises to give, are recorded in the period pledged and are considered to be available for use unless specifically restricted by the donor. Unconditional promises to give are recognized at fair value and discounted based on the present value of future cash flows using a risk-adjusted rate. Amortization of the discount is included in contributions revenue. Conditional promises to give are not recognized until the conditions on which they depend are substantially met.

Catholic Charities of the Archdiocese of Washington, Inc. and Affiliates

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Contributed Services

Catholic Charities received contributed legal, medical, dental, and other professional services through its operations to support various programs under different networks such as Catholic Charities Legal Network, Immigration Legal Services, Catholic Charities Healthcare Network, and Missions of Mercy Adult Dental Clinic. These contributed services meet the criteria for revenue recognition under FASB Accounting Standards Codification (ASC), ASC 958-605-25, *Contributed Services*, at the fair value of such services and are reported as in-kind contributions and as expenses on the consolidated statements of activities (see note 11).

In addition, Catholic Charities received the services of a significant number of volunteers not recognized in the consolidated statements of activities because such services do not require specialized skills. Noncompensated members of the board of directors and other unpaid volunteers perform a significant portion of the fundraising activities and contribute significant time to support various programs each year.

Functional Allocation of 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 the number of information technology equipment that the function uses. Allocated costs include occupancy related facility costs and information technology support. Special events expense includes the costs of venues, meals, and entertainment provided at fundraising events.

Income Taxes

Catholic Charities has received a determination letter from the Internal Revenue Service (the IRS) that it is exempt from federal income taxes under Section 501(c)(3) of the IRC under applicable tax regulations as part of a group exemption made to all institutions listed in the Official Catholic Directory. No provision for income taxes was recorded during the years ended June 30, 2022 and 2021 since Catholic Charities had no significant unrelated business income.

In accordance with U.S. GAAP, management has evaluated Catholic Charities' tax positions and has concluded that Catholic Charities has taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provisions of this guidance. Catholic Charities is generally no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for the years ended June 30, 2018 and prior.

Catholic Charities of the Archdiocese of Washington, Inc. and Affiliates

Notes to the Consolidated Financial Statements

Recently Adopted Accounting Pronouncements

In September 2020, FASB issued ASU 2020-07: *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The update enhances the presentation and disclosure of such contributed non-financial assets without changing existing recognition and measurement requirements. Management has adopted this standard retrospectively during the year ended June 30, 2021. See note 11 for disclosure required related to the adoption of this update.

Recent Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This ASU requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments. For leases with a lease term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize a right-of-use asset or lease liability. A lessee making this accounting policy election would recognize lease expense over the term of the lease, generally in a straight-line pattern. This guidance is effective for financial statements issued for fiscal years beginning after December 15, 2019. Early adoption is permitted. In transition, a lessee and a lessor will recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients. These practical expedients relate to identifying and classifying leases that commenced before the effective date, initial direct costs for leases that commenced before the effective date, and the ability to use hindsight in evaluating lessee options to extend or terminate a lease or to purchase the underlying asset. ASU 2018-11 was issued in June 2018 that also permits entities to choose to initially apply ASU 2016-02 at the adoption date and recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. ASU 2016-02 is effective for Catholic Charities' fiscal year 2023. Management is currently evaluating the impact of this ASU on their consolidated financial statements.

Catholic Charities also assessed other accounting pronouncements issued or effective during the year ended June 30, 2022 and deemed they were not applicable to Catholic Charities or are not anticipated to have a material effect on the consolidated financial statements.

2. Financial Assets and Liquidity Resources

The following table reflects the financial assets and liquidity resources, available within one year for general expenditures, such as operating expenses, principal payments on debt, and purchase or construction of capital projects. These financial assets and liquidity resources are reduced by amounts not available for general use within one year of the consolidated statement of financial position date because of timing of collections, contractual or donor-imposed restrictions.

Catholic Charities of the Archdiocese of Washington, Inc. and Affiliates

Notes to the Consolidated Financial Statements

Total financial assets and liquidity resources available within one year are as follows (dollars in thousands):

<i>June 30,</i>	2022	2021
Financial assets:		
Cash and cash equivalents	\$ 22,226	\$ 18,912
Receivables, net	9,539	12,688
Contributions receivable, net	22,956	26,432
Investments	36,676	41,942
Financial assets, at year-end	91,397	99,974
Liquidity resources:		
Budgeted fiscal year 2023 and 2022 net assets released from restriction, respectively	14,456	16,942
Available line-of-credit	1,000	1,000
	15,456	17,942
Amounts restricted to use:		
Funds held on behalf of others	120	146
Restricted cash and cash equivalents (note 1)	384	411
Note receivable due in 2029 within receivables (note 1)	91	94
Board designated (note 12)	9,571	9,030
Donor restrictions, less restricted property and equipment (note 13)	66,306	75,565
Replacement reserve (note 1)	336	362
	76,808	85,608
Total financial assets and liquidity resources available within one year	\$ 30,045	\$ 32,308

Catholic Charities has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. As of June 30, 2022 and 2021, Catholic Charities has Board Designated net assets without donor restrictions of \$9.571 million and \$9.030 million, respectively, that, while not intended for general expenditures, current liabilities or obligations, could be made available upon the approval of the Board of Directors.

Catholic Charities of the Archdiocese of Washington, Inc. and Affiliates

Notes to the Consolidated Financial Statements

3. Contributions Receivable

Contributions receivable, net are summarized as follows (dollars in thousands):

<i>June 30,</i>	2022	2021
Unconditional promises expected to be collected in:		
Less than one year	\$ 6,065	\$ 6,021
One to five years	17,149	21,007
More than five years	600	850
	23,814	27,878
Less:		
Unamortized discount	(609)	(980)
Allowance for uncollectible contributions	(249)	(466)
Contributions receivable, net	\$ 22,956	\$ 26,432

Contributions receivable are discounted at rates ranging from 0.82% to 2.94%, which approximate the risk-adjusted rate of return for the expected promises to give.

As of June 30, 2022 and 2021, conditional contributions of \$12.045 million and \$13.648 million, respectively, are available to Catholic Charities. Revenue related to these conditional contributions will be recognized once the contractual obligations to provide the services have been satisfied.

Catholic Charities of the Archdiocese of Washington, Inc. and Affiliates

Notes to the Consolidated Financial Statements

4. Investments

The following table presents the fair value hierarchy for those assets measured at fair value on a recurring basis (dollars in thousands):

As of June 30, 2022				
	Total	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
Investments at fair value:				
Equity securities	\$ 17,523	\$ 17,523	\$ -	\$ -
Fixed income	12,783	-	12,783	-
Mutual funds	1,275	1,275	-	-
Exchange traded funds	949	949	-	-
Pooled funds	327	-	-	327
<hr/>				
Total investments at fair value level	\$ 32,857	\$ 19,747	\$ 12,783	\$ 327
<hr/>				
Investments at cost*				
Cash	3,819			
<hr/>				
Total investments	\$ 36,676			

As of June 30, 2021				
	Total	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
Investments at fair value:				
Equity securities	\$ 25,079	\$ 25,079	\$ -	\$ -
Fixed income	14,728	-	14,728	-
Mutual funds	350	350	-	-
Exchange traded funds	365	365	-	-
Pooled funds	30	-	-	30
<hr/>				
Total investments at fair value level	\$ 40,552	\$ 25,794	\$ 14,728	\$ 30
<hr/>				
Investments at cost*				
Cash	1,390			
<hr/>				
Total investments	\$ 41,942			

* Cash included in the investment portfolio is not subject to the provisions of fair value measurements as they are recorded at cost and are only shown here to reconcile to the accompanying consolidated statements of financial position.

Catholic Charities of the Archdiocese of Washington, Inc. and Affiliates

Notes to the Consolidated Financial Statements

5. Property and Equipment

Property and equipment consists of the following (dollars in thousands):

<i>June 30,</i>		2022		2021
Land, building, and building improvements	\$	29,320	\$	29,328
Leasehold improvements		11,209		11,053
Furniture and equipment		7,475		7,171
Construction in progress		1,052		510
		49,056		48,062
Less accumulated depreciation and amortization		(23,585)		(21,911)
Property and equipment, net	\$	25,471	\$	26,151

6. Debt

Line-of-Credit

Catholic Charities has a \$1.000 million available line-of-credit from a bank as of June 30, 2022 and 2021. The line-of-credit requires annual renewals to remain available. The line-of-credit bears interest at the Prime rate minus 1.25%, but not less than 2%. As of June 30, 2022 and 2021, there was no outstanding balance on the line-of-credit. The line-of-credit matures March 19, 2023.

Mortgage Payable

Mortgage payable consists of mortgage note for the buildings at 1220 Monroe St and 1609 Lawrence St. The note requires monthly principal and interest payments of \$7 thousand through September 1, 2021, with an interest rate of 7.45%, and deed of trust collateral. As of June 30, 2022 and 2021, the outstanding balance on the mortgage note is \$0 thousand and \$16 thousand, respectively.

Paycheck Protection Program (PPP) Loan

In April 2020, CCADW and its affiliates; Anchor, Kennedy, and SCC (the Borrowers) obtained loans (the Loans) totaling \$6.096 million, pursuant to the Paycheck Protection Program (the PPP) under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), signed into law on March 27, 2020.

During the year ended June 30, 2022, the Borrowers were notified that the loans for CCADW and Anchor totaling \$4.817 million had been fully forgiven. During the year ended June 30, 2021, the Borrowers were notified that the loans for SCC and Kennedy totaling \$989 thousand had been forgiven and the remaining unused loan balance of \$290 thousand was repaid. Loans balances forgiven are presented as paycheck protection program loan extinguishment income in the accompanying consolidated statements of activities.

Catholic Charities of the Archdiocese of Washington, Inc. and Affiliates

Notes to the Consolidated Financial Statements

7. Pension and Retirement Plans

Catholic Charities participates in the Retirement Plan of the Archdiocese of Washington (the Plan), which is a defined-benefit plan. Catholic Charities accounts for its participation in the Plan as a multi-employer plan. Information regarding net assets and actuarial liabilities of the Plan is not available at the individual employer level. On December 31, 2012, the Plan was frozen and all employees receive the vested benefits promised under the Plan. The multi-employer plan is approximately 94.7% and 105.2% funded at June 30, 2022 and 2021, respectively.

Catholic Charities incurred retirement costs of \$2.973 million and \$2.999 million during the years ended June 30, 2022 and 2021, respectively.

Effective January 1, 2013, Catholic Charities participates in the Archdiocese of Washington Retirement Savings Plan (the 403(b) Plan). Participants may elect to contribute from 0% to 100%, (subject to IRS regulations) of their compensation on a pretax basis to the 403(b) Plan. Participants who contribute to the 403(b) Plan will receive a matching contribution from the Archdiocese of Washington at a rate of 50% up to 4% of eligible pay period compensation. The Archdiocese of Washington will make a fixed annual contribution starting at 1% after the first year of the 403(b) Plan and increase annually to a maximum of 4% upon an employee reaching 30 years of service with Catholic Charities.

In March 2015, the board authorized the adoption of a nonqualified deferred compensation plan (the 457(b) Plan) for members of the leadership team. The 457(b) Plan, which went into effect as of April 1, 2015, permits the Catholic Charities to make discretionary contributions on an annual basis as well as permits the participants to defer pre-tax compensation up to the maximum amount allowed by law. Catholic Charities contributions of \$170 thousand and \$153 thousand were awarded for the years ended June 30, 2022 and 2021, respectively.

8. Lease Commitments

Catholic Charities leases general office and warehouse space and certain equipment under long-term noncancelable operating leases. The following represents the minimum future rentals under leases at June 30, 2022 (dollars in thousands):

Year ending June 30,

2023	\$	1,171
2024		900
2025		841
2026		784
2027		495
Thereafter		406
<hr/>		
Total minimum lease payments	\$	4,597

Rent expense, including short-term leases, was \$1.275 million and \$1.345 million for the years ended June 30, 2022 and 2021, respectively.

Catholic Charities of the Archdiocese of Washington, Inc. and Affiliates

Notes to the Consolidated Financial Statements

9. Related-Party Transactions

Catholic Charities is affiliated with the Archdiocese of Washington and the Archdiocese of Washington's Forward in Faith, Inc.

During the years ended June 30, 2022 and 2021, Catholic Charities paid \$8.225 million and \$8.695 million, respectively, to the administrator of the Archdiocese of Washington insurance programs and Archdiocesan pension programs. The Archdiocese of Washington insurance programs are self-insured, up to certain limits, for property-casualty, workers' compensation, unemployment, and health insurance. The Archdiocese of Washington retains the risk of loss for all claims and Catholic Charities' risk is limited to the annual premium and deductibles of \$1 thousand or less.

For the years ended June 30, 2022 and 2021, Catholic Charities received a contribution of \$621 thousand and \$994 thousand, respectively, from the Archdiocese of Washington and the Archdiocese of Washington's Forward in Faith, Inc. in support of its programs.

Various programs lease buildings from the Archdiocese of Washington. Payments made under these leases for the years ended June 30, 2022 and 2021 were \$503 thousand and \$479 thousand, respectively.

10. Commitments and Contingencies

Catholic Charities received a substantial portion of their revenue from government contracts, all of which are subject to audit by the government.

Revenue from the MRO program accounted for 9.73% and 7.90% of Catholic Charities total revenue for the years ended June 30, 2022 and 2021, respectively. Laws and regulations governing the MRO program are complex and subject to interpretation. The MRO program is subject to review and audits by the District of Columbia and the federal government. Until such audits have been completed and final settlement reached, there exists a contingent liability to refund any amounts received in excess of allowable costs. Management is of the opinion that no significant liability will result from audit adjustments.

Catholic Charities is involved in various claims and legal actions arising in the ordinary course of business. Based upon information currently available, management believes the ultimate disposition of these matters will not have a material adverse effect on Catholic Charities' consolidated financial position, change in net assets, or cash flows.

11. Contributed Non-Financial Assets

Catholic Charities received contributed non-financial assets in the form of professional pro-bono services in legal, medical, dental, and other operations to support various programs under different networks such as Catholic Charities Legal Network, Immigration Legal Services, Catholic Charities Healthcare Network, and Missions of Mercy Adult Dental Clinic. These contributed services meet the criteria for revenue recognition under FASB ASC 958-605-25, *Contributed Services*, at the fair value of such services and are reported as in-kind contributions and as expenses on the consolidated statements of activities. \$19,332 thousand and \$16,721 thousand of contributed non-financial assets were utilized for the adult and children clinical services, the enterprises, education and

Catholic Charities of the Archdiocese of Washington, Inc. and Affiliates

Notes to the Consolidated Financial Statements

employment, the family, parish and community outreach, and the newcomer network programs during the years ended June 30, 2022 and 2021, respectively.

The value of contributed non-financial assets, without donor restrictions, received were as follows (dollars in thousands):

<i>Years ended June 30,</i>		2022	2021
<u>Type of service</u>	<u>Valuation Techniques</u>		
Healthcare network	Rate per consults or procedures established by hospitals/physicians	\$ 9,597	\$ 8,057
Immigration legal services	Hourly rates by type of services used by the law firms that provide the service	5,163	6,220
Legal network	Hourly rates by type of services used by the law firms that provide the service	3,220	1,165
Financial consulting and tax services	Average market rate per hour for each service charged by CPAs	965	1,009
Medical and dental services	Hourly rate by procedures established by Physicians and Dentists	337	241
Donated asset held for sale	Tax value; less reverse mortgage balance	42	-
Others		50	29
		\$ 19,374	\$ 16,721

12. Net Assets Without Donor Restrictions

Net assets without donor restrictions are comprised of undesignated and designated amounts for the following purposes (dollars in thousands):

<i>June 30,</i>		2022	2021
Undesignated		\$ 2,350	\$ (1,609)
Invested in property and equipment		23,269	23,933
Board designated for facilities or programs		3,074	3,074
Board designated to function as endowment		6,497	5,956
		\$ 35,190	\$ 31,354

Catholic Charities of the Archdiocese of Washington, Inc. and Affiliates

Notes to the Consolidated Financial Statements

13. Net Assets With Donor Restrictions

Net assets with donor restrictions were subject to the following restrictions (dollars in thousands):

<i>June 30,</i>	2022	2021
Subject to passage of time or purpose:		
Archdiocese of Washington	\$ 500	\$ 845
United Way	-	110
Capital campaign for program activities	12,480	14,196
Program services	29,166	37,315
Restricted for property and equipment	100	100
	\$ 42,246	\$ 52,566
Original gift amount of donor restricted endowment:		
General endowment	\$ 21,338	\$ 20,297
Anchor Mental Health endowment	1,085	1,085
Spanish Catholic Center endowment	50	50
Domestic Violence restricted fund	801	801
Monsignor Vaghi endowment	864	844
Forward-In-Faith	22	22
	24,160	23,099
Total net assets with donor restrictions	\$ 66,406	\$ 75,665

Net assets released from restriction are as follows (dollars in thousands):

<i>Years ended June 30,</i>	2022	2021
Passage of time - Archdiocese of Washington	\$ 845	\$ 845
Passage of time - United Way	-	90
Capital campaign for program activities	5,905	5,282
Program services	7,963	9,910
Restricted for property and equipment	208	3
	\$ 14,921	\$ 16,130

14. Endowment Net Assets

Effective January 23, 2008, the District of Columbia enacted the uniform prudent management of institutional funds act (UPMIFA), the provisions of which apply to funds existing on or established after that date. Catholic Charities classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the discretion of the applicable donor gift instrument at the time the accumulation is added to the fund. Investment returns on donor-restricted endowment are reported within net assets with donor restrictions until those amounts are explicitly appropriated by its board of directors for

Catholic Charities of the Archdiocese of Washington, Inc. and Affiliates

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expenditure in a manner consistent with the standard of prudence described by UPMIFA. The investment goal is to provide income and capital growth to be used to meet current and future financial obligations of Catholic Charities while limiting the risk of the funds in order to preserve the principal. The investment objective is pursued as a long-term goal designed to maximize returns after expenses without exposure to undue risk. The investment policy acts in accordance with the investment policy of the Archdiocese of Washington, which is based on two fundamental and interdependent principles: the Archdiocese of Washington and its related organizations should exercise responsible financial stewardship over their economic resources; and the Archdiocese of Washington and its related organizations should exercise ethical and social stewardship in their investment policy. The established annual distribution rate is from 4.30% to 5.00% of the total endowment. For each of the years ended June 30, 2022 and 2021, the distribution was 4.30% of the average total endowment for the prior three calendar years. The most recent investment policy was reviewed and approved in November 2018. The endowment balances presented below include contribution receivables that have yet to be collected and cash yet to be transferred.

Endowment net asset composition by type of fund (dollars in thousands):

<i>June 30, 2022</i>	Board designated quasi- endowment	Original gift amount	Accumulated gains and other	Total with donor restrictions	Total
Donor restricted funds	\$ -	\$ 24,160	\$ 8,493	\$ 32,653	\$ 32,653
Board designated funds	6,497	-	-	-	6,497
	\$ 6,497	\$ 24,160	\$ 8,493	\$ 32,653	\$ 39,150

<i>June 30, 2021</i>	Board designated quasi- endowment	Original gift amount	Accumulated gains and other	Total with donor restrictions	Total
Donor restricted funds	\$ -	\$ 23,099	\$ 14,674	\$ 37,773	\$ 37,773
Board designated funds	5,956	-	-	-	5,956
	\$ 5,956	\$ 23,099	\$ 14,674	\$ 37,773	\$ 43,729

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Notes to the Consolidated Financial Statements

Changes in endowment net assets for the fiscal year ended June 30, 2022 (dollars in thousands):

<i>Description</i>	Board designated quasi- endowment	Original gift amount	Accumulated gains and other	Total with donor restrictions	Total
Endowment net assets, June 30, 2021	\$ 5,956	\$ 23,099	\$ 14,674	\$ 37,773	\$ 43,729
Income adjustment	12	-	580	580	592
Investment income	54	-	570	570	624
Fees	(22)	-	(460)	(460)	(482)
Net gain on investments, unrealized	(803)	-	(7,713)	(7,713)	(8,516)
Net gain on investments, realized	45	-	2,350	2,350	2,395
Total investment return	\$ (714)	\$ -	\$ (4,673)	\$ (4,673)	\$ (5,387)
Contributions	1,445	1,061	-	1,061	2,506
Amounts appropriated for expenditures	(190)	-	(1,508)	(1,508)	(1,698)
Endowment net assets, June 30, 2022	\$ 6,497	\$ 24,160	\$ 8,493	\$ 32,653	\$ 39,150

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Changes in endowment net assets for the fiscal year ended June 30, 2021 (dollars in thousands):

<i>Description</i>	Board designated quasi- endowment	Original gift amount	Accumulated gains and other	Total with donor restrictions	Total
Endowment net assets, June 30, 2020	\$ 5,078	\$ 22,847	\$ 7,725	\$ 30,572	\$ 35,650
Income adjustment	(27)	-	237	237	210
Investment income	50	-	452	452	502
Fees	(20)	-	(174)	(174)	(194)
Net gain on investments, unrealized	94	-	3,247	3,247	3,341
Net gain on investments, realized	735	-	4,394	4,394	5,129
Total investment return	\$ 832	\$ -	\$ 8,156	\$ 8,156	\$ 8,988
Contributions	214	252	-	252	466
Amounts appropriated for expenditures	(168)	-	(1,207)	(1,207)	(1,375)
Endowment net assets, June 30, 2021	\$ 5,956	\$ 23,099	\$ 14,674	\$ 37,773	\$ 43,729

15. Subsequent Events

Catholic Charities has evaluated events and transactions for potential recognition or disclosure through December 7, 2022, the date the consolidated financial statements were available to be issued. Catholic Charities is not aware of any subsequent events that would require recognition or disclosure in the consolidated financial statements.