



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

**Consolidated Financial Statements
and Independent Auditor's Report
Years ended June 30, 2021 and 2020**

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, 2021 and 2020

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, 2021 and 2020, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Catholic Charities as of June 30, 2021 and 2020, 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, 2021

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>	2021	2020
Assets		
Cash and cash equivalents (note 1)	\$ 18,912	\$ 20,290
Receivables, net of allowance of \$835 and \$830 in 2021 and 2020, respectively	12,688	8,470
Contributions receivable, net of allowance of \$466 and \$341 in 2021 and 2020, respectively (note 3)	26,432	15,694
Prepaid expenses and other assets	1,469	999
Investments (note 4)	41,942	32,311
Property and equipment, net (note 5)	26,151	27,617
Total assets	\$ 127,594	\$ 105,381
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 2,312	\$ 2,969
Accrued expenses	6,202	6,037
Line-of-credit (note 6)	-	1,000
Mortgage and notes payable (note 6)	16	98
Paycheck protection program loan (note 6)	4,817	6,096
Refundable advances	7,082	6,159
Funds held on behalf of others	146	662
Total liabilities	20,575	23,021
Commitments and contingencies		
Net assets		
Without donor restrictions (note 11):		
Undesignated	(1,609)	(5,340)
Board designated	9,030	8,152
Invested in property and equipment	23,933	25,316
Total without donor restrictions	31,354	28,128
With donor restrictions (note 12):		
Restricted for program activities or time	52,466	31,282
Restricted for property and equipment	100	103
Donor restricted endowment	23,099	22,847
Total with donor restrictions	75,665	54,232
Total net assets	107,019	82,360
Total liabilities and net assets	\$ 127,594	\$ 105,381

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>	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains, and other support:						
Contributions	\$ 5,264	\$ 2,572	\$ 7,836	\$ 3,980	\$ 2,449	\$ 6,429
Legacies and bequests	395	-	395	448	-	448
Special events	946	87	1,033	1,353	252	1,605
Archdiocese of Washington (note 9)	149	845	994	129	1,153	1,282
Capital campaign	-	26,140	26,140	-	18,917	18,917
Foundation grants	311	-	311	371	-	371
Government grants and contracts	40,953	-	40,953	36,324	-	36,324
Service fees	8,014	-	8,014	9,214	-	9,214
Food sales	3,067	-	3,067	2,488	-	2,488
Other income	476	-	476	1,029	-	1,029
Investment income, net	875	7,919	8,794	410	2,552	2,962
In-kind contributions	16,721	-	16,721	24,782	-	24,782
Net assets released from restriction (note 12)	16,130	(16,130)	-	16,209	(16,209)	-
Total revenue, gains, and other support	93,301	21,433	114,734	96,737	9,114	105,851
Expenses:						
Program services	79,294	-	79,294	82,433	-	82,433
Supporting services:						
Management and general	9,225	-	9,225	9,809	-	9,809
Fund-raising	2,545	-	2,545	3,139	-	3,139
Total expenses	91,064	-	91,064	95,381	-	95,381
Change in net assets before paycheck protection program (PPP) loan extinguishment	2,237	21,433	23,670	1,356	9,114	10,470
PPP loan extinguishment	989	-	989	-	-	-
Change in net assets	3,226	21,433	24,659	1,356	9,114	10,470
Net assets, beginning of year	28,128	54,232	82,360	26,772	45,118	71,890
Net assets, end of year	\$ 31,354	\$ 75,665	\$ 107,019	\$ 28,128	\$ 54,232	\$ 82,360

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)

<i>Year ended June 30, 2021</i>	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	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 Statement of Functional Expenses (dollars in thousands)

<i>Year ended June 30, 2020</i>	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	\$ 11,875	\$ 4,830	\$ 3,584	\$ 1,830	\$ 9,387	\$ -	\$ 31,506	\$ 5,626	\$ 1,240	\$ 6,866	\$ 38,372
Benefits	2,056	891	807	360	1,644	-	5,758	1,020	217	1,237	6,995
Payroll taxes	843	353	256	127	682	-	2,261	388	86	474	2,735
Staff expenses	164	94	33	33	85	-	409	161	12	173	582
Professional services	142	360	71	8	1,266	-	1,847	1,202	505	1,707	3,554
Office expense	377	44	55	18	72	-	566	171	412	583	1,149
Communications	326	101	73	49	169	-	718	188	27	215	933
Program expenses	2,101	430	535	201	580	-	3,847	-	-	-	3,847
Client assistance	208	43	171	2,027	1,017	-	3,466	152	-	152	3,618
Direct cost of food sales	-	-	1,923	-	-	-	1,923	-	-	-	1,923
Facilities	1,256	862	234	171	857	-	3,380	361	62	423	3,803
Special events	-	-	-	-	-	-	-	2	232	234	234
Depreciation and amortization	558	212	167	45	407	-	1,389	407	40	447	1,836
Bad debt	204	-	56	-	17	-	277	-	298	298	575
Interest	10	-	-	-	-	-	10	16	-	16	26
Income and other taxes (refunds)	16	-	-	-	-	-	16	(76)	-	(76)	(60)
Miscellaneous	112	33	24	80	29	-	278	191	8	199	477
In-kind services	23,984	-	39	759	-	-	24,782	-	-	-	24,782
Total expenses	\$ 44,232	\$ 8,253	\$ 8,028	\$ 5,708	\$ 16,212	\$ -	\$ 82,433	\$ 9,809	\$ 3,139	\$ 12,948	\$ 95,381

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)

<i>Years ended June 30,</i>	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 24,659	\$ 10,470
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,871	1,836
Bad debt expense on uncollectible pledges	1,183	575
Loss from disposal of property and equipment	244	-
Net gain on investments, unrealized	(5,083)	(1,769)
Net gain on investments, realized	(3,341)	(806)
Receipt of contributions for endowment	(203)	(559)
Receipt of contributions revenue for property and equipment	(139)	(177)
Receipt of conditional contributions for property and equipment	-	(160)
PPP loan extinguishment	(989)	-
(Increase) decrease in assets:		
Contributions receivable	(11,886)	(8,667)
Receivables	(5,128)	(2,185)
Prepaid expenses and other assets	(470)	8
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(567)	1,428
Refundable advances	923	709
Funds held on behalf of others	(516)	319
Net cash provided by operating activities	558	1,022
Cash flows from investing activities:		
Purchases of investments	(19,609)	(17,009)
Proceeds from sales and maturities of investments	18,402	16,574
Purchases of property and equipment	(574)	(589)
Net cash used in investing activities	(1,781)	(1,024)
Cash flows from financing activities:		
Proceeds from line-of-credit	-	1,000
Repayments of line-of-credit	(1,000)	-
Proceeds from paycheck protection program loan	-	6,096
Repayment of paycheck protection program loan	(290)	-
Contributions receivable restricted for long term purpose	875	1,031
Contributions for endowment	203	559
Contributions for property and equipment	139	337
Repayments of mortgages and notes payable	(82)	(76)
Net cash (used in) provided by financing activities	(155)	8,947
Net (decrease) increase in cash and cash equivalents	(1,378)	8,945
Cash and cash equivalents at the beginning of the year	20,290	11,345
Cash and cash equivalents at the end of the year	\$ 18,912	\$ 20,290
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 7	\$ 15
Cash paid for income taxes	\$ 12	\$ 27
Supplemental disclosure of noncash financing activity:		
PPP loan extinguishment	\$ 989	\$ -
Purchase of property and equipment in accounts payable	\$ 75	\$ 123

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 Housing Corporation (Kennedy Housing I) and Kennedy 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. This program began in June 2020 and \$11 thousand of expenses were included in Adult and Children Clinical Services in the consolidated statement of functional expenses for the year ended June 30, 2020 and were not material to the consolidated financial statements as a whole.

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 and Concentrations of Credit Risk

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 \$146 thousand and \$662 thousand was held on behalf of others as of June 30, 2021 and 2020, 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 \$411 thousand and \$442 thousand for the years ended June 30, 2021 and 2020, respectively.

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. The Organization has never experienced any losses related to these balances. Amounts in excess of the Federal Deposit Insurance Corporation (FDIC) insured limit totaled approximately \$17.9 million as of June 30, 2021. 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, believes that a material credit risk related to contributions receivable and accounts receivable is minimal.

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, 2021 and 2020, Catholic Charities had an allowance for uncollectible accounts of \$835 thousand and \$830 thousand, respectively.

Catholic Charities' program service revenues are earned from both annual and multiyear contracts with various 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, 2021 and 2020, the balance of the Note is approximately \$94 thousand and \$97 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, 2021 and 2020, Catholic Charities had an allowance for uncollectible accounts of \$466 thousand and \$341 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 4.3% to 9.5%. 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, 2021 and 2020 included a liability to beneficiaries of \$84 thousand and \$91 thousand, respectively. During the years ended June 30, 2021 and 2020, Catholic Charities recorded contributions of \$2 thousand and \$9 thousand associated with charitable gift annuities, respectively.

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, 2021 and 2020, the amounts received from the Grant and the Construction Loan amounted to \$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, 2021 and 2020, respectively.

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>		2021		2020
AHC	\$	204	\$	225
Kennedy Housing		95		115
Kennedy Housing II		63		54
Total replacement reserves	\$	362	\$	394

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.

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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.

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, 2021 and 2020 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, 2017 and prior.

Reclassification

Certain amounts in the 2020 consolidated financial statements have been reclassified to conform to the 2021 presentation. These reclassifications have no effect on the previously reported change in net assets.

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

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Recently Adopted Accounting Pronouncements

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. The update modifies certain disclosure requirements in Topic 820, *Fair Value Measurement*. Management has adopted this standard during the year ended June 30, 2021. The adoption of this update did not have a material effect on the consolidated financial statements.

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 has assessed other accounting pronouncements issued or effective during the year ended June 30, 2021 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 financials 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>	2021	2020
Financial assets:		
Cash and cash equivalents	\$ 18,912	\$ 20,290
Receivables, net	12,688	8,470
Contributions receivable, net	26,432	15,694
Investments	41,942	32,311
Financial assets, at year-end	99,974	76,765
Liquidity resources:		
Budgeted fiscal year 2022 and 2021 net assets released from restriction, respectively	16,942	15,829
Available line-of-credit	1,000	-
	17,942	15,829
Amounts restricted to use:		
Funds held on behalf of others	146	662
Restricted cash and cash equivalents (note 1)	411	442
Note receivable due in 2029 within receivables (note 1)	94	97
Board designated (note 11)	9,030	8,152
Donor restrictions, less restricted property and equipment (note 12)	75,565	54,129
Replacement reserve (note 1)	362	394
	85,608	63,876
Total financial assets and liquidity resources available within one year	\$ 32,308	\$ 28,718

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, 2021 and 2020, Catholic Charities has Board Designated net assets without donor restrictions of \$9.030 million and \$8.152 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>	2021	2020
Unconditional promises expected to be collected in:		
Less than one year	\$ 6,021	\$ 5,021
One to five years	21,007	10,865
More than five years	850	950
	27,878	16,836
Less:		
Unamortized discount	(980)	(801)
Allowance for uncollectible contributions	(466)	(341)
Contributions receivable, net	\$ 26,432	\$ 15,694

Contributions receivable are discounted at rates ranging from 0.85% to 2.94%, which approximate the risk-adjusted rate of return for the expected promises to give. Forward in Faith, Inc., an affiliate of the Archdiocese of Washington, held capital campaign contributions of \$0 thousand and \$410 thousand at June 30, 2021 and 2020, respectively, on behalf of Catholic Charities, that are included in contributions receivable, net in the consolidated statements of financial position.

As of June 30, 2021 and 2020, conditional contributions of \$13.648 million and \$9.973 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.

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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, 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			

As of June 30, 2020				
	Total	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
Investments at fair value:				
Equity securities	\$ 19,185	\$ 19,185	\$ -	\$ -
Fixed income	11,318	-	11,318	-
<hr/>				
Total investments at fair value level	\$ 30,503	\$ 19,185	\$ 11,318	\$ -
<hr/>				
Investments at cost*				
Cash	1,808			
<hr/>				
Total investments	\$ 32,311			

* 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>		2021		2020
Land, building, and building improvements	\$	29,328	\$	29,467
Leasehold improvements		11,053		11,297
Furniture and equipment		7,171		8,561
Construction in progress		510		199
		48,062		49,524
Less accumulated depreciation and amortization		(21,911)		(21,907)
Property and equipment, net	\$	26,151	\$	27,617

6. Debt

Line-of-Credit

Catholic Charities has a \$1.000 million available line-of-credit from a bank as of June 30, 2021 and 2020. 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, 2021, there was \$0 million outstanding on the line-of-credit bearing interest at 2%. As of June 30, 2020, there was \$1.000 million outstanding on the line-of-credit bearing interest at 2%. The line-of-credit matures March 19, 2022.

Mortgage Payable

Mortgage payable consists of the following (dollars in thousands):

<i>June 30,</i>		2021		2020
Mortgage payable for 1220 Monroe St and 1609 Lawrence St. The note requires monthly principal and interest payments of \$7 thousand through September 1, 2021, interest rate 7.45%, deed of trust collateral	\$	16	\$	98
Total mortgage payable	\$	16	\$	98

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.

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The Loans mature on April 12, 2022 (CCADW, Kennedy and SCC) and April 13, 2022 (Anchor) and bear interest at a rate of 1% per annum. Proceeds from the Loans may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020.

The Loans and accrued interest are forgivable after 24 weeks if the Borrowers use the loan proceeds for eligible purposes. The unforgiven portion of the Loans are payable over two years, with a deferral of payments for the first six months. The Loans may be prepaid by the Borrowers at any time prior to maturity with no prepayment penalties.

The Borrowers intend to use the entire proceeds of the Loans for qualifying expenses as described in the CARES Act. During the year ended June 30, 2021, the Borrowers repaid \$290 thousand and applied for and were notified that \$989 thousand in eligible expenditures described in the CARES Act for payroll and other expenses for SCC and Kennedy had been forgiven and are presented as paycheck protection program loan extinguishment income in the accompanying consolidated statement of activities. Subsequent to June 30, 2021, the Borrowers were notified that the remaining loans for CCADW and Anchor totaling \$4.817 million have been fully forgiven.

Principal payments to be made over the next five years and thereafter on the outstanding line-of-credit, mortgage payable and PPP Loans are as follows (dollars in thousands):

Year ending June 30,

2022	\$	4,833 *
	\$	4,833

* After paycheck protection program loan extinguishment of \$4.817 million after the year ended June 30, 2021, the principal payments due during the year ending June 30, 2022 are \$16.

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 105.2% and 87.7% funded at June 30, 2021 and 2020, respectively.

Catholic Charities incurred retirement costs of \$2.999 million and \$2.820 million during the years ended June 30, 2021 and 2020, 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.

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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 \$153 thousand and \$133 thousand were awarded for the years ended June 30, 2021 and 2020, 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, 2021 (dollars in thousands):

Year ending June 30,

2022	\$	1,215
2023		1,168
2024		899
2025		851
2026		669
Thereafter		665
<hr/>		
Total minimum lease payments	\$	5,467

Rent expense, including short-term leases, was \$1.345 million and \$1.275 million for the years ended June 30, 2021 and 2020, respectively.

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, 2021 and 2020, Catholic Charities paid \$8.695 million and \$8.520 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 each of the years ended June 30, 2021 and 2020, Catholic Charities received a contribution of \$994 thousand and \$1.282 million, 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 each of the years ended June 30, 2021 and 2020 were \$479 thousand and \$500 thousand, respectively.

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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 7.9% and 9.2% of Catholic Charities total revenue for the years ended June 30, 2021 and 2020, 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. 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>	2021	2020
Undesignated	\$ (1,609)	\$ (5,340)
Invested in property and equipment	23,933	25,316
Board designated for facilities or programs	3,074	3,074
Board designated to function as endowment	5,956	5,078
	\$ 31,354	\$ 28,128

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Notes to the Consolidated Financial Statements

12. Net Assets With Donor Restrictions

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

<i>June 30,</i>	2021	2020
Subject to passage of time or purpose:		
Archdiocese	\$ 845	\$ 845
United Way	110	90
Capital campaign for program activities	14,196	18,508
Program services	37,315	11,839
Restricted for property and equipment	100	103
	\$ 52,566	\$ 31,385
Original gift amount of donor restricted endowment:		
General endowment	\$ 20,297	\$ 20,045
Anchor Mental Health endowment	1,085	1,085
Spanish Catholic Center endowment	50	50
Domestic Violence restricted fund	801	801
Monsignor Vaghi endowment	844	844
Forward-In-Faith	22	22
	23,099	22,847
Total net assets with donor restrictions	\$ 75,665	\$ 54,232

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

<i>Years ended June 30,</i>	2021	2020
Passage of time - Archdiocese of Washington	\$ 845	\$ 1,095
Passage of time - United Way	90	92
Capital campaign for program activities	5,282	5,590
Program services	9,910	9,201
Restricted for property and equipment	3	231
	\$ 16,130	\$ 16,209

13. 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

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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 4.3% to 5.0% of the total endowment. For each of the years ended June 30, 2021 and 2020, the distribution was 4.3% 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, 2021</i>	Board designated	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

<i>June 30, 2020</i>	Board designated	Original gift amount	Accumulated gains and other	Total with donor restrictions	Total
Donor restricted funds	\$ -	\$ 22,847	\$ 7,725	\$ 30,572	\$ 30,572
Board designated funds	5,078	-	-	-	5,078
	\$ 5,078	\$ 22,847	\$ 7,725	\$ 30,572	\$ 35,650

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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	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

Changes in endowment net assets for the fiscal year ended June 30, 2019 (dollars in thousands):

<i>Description</i>	Board designated	Original gift amount	Accumulated gains and other	Total with donor restrictions	Total
Endowment net assets, June 30, 2019	\$ 4,884	\$ 19,848	\$ 5,980	\$ 25,828	\$ 30,712
Income adjustment	(25)	-	177	177	152
Investment income	58	-	485	485	543
Fees	(18)	-	(140)	(140)	(158)
Net gain on investments, unrealized	13	-	782	782	795
Net gain on investments, realized	361	-	1,425	1,425	1,786
Total investment return	\$ 389	\$ -	\$ 2,729	\$ 2,729	\$ 3,118
Contributions	-	2,999	-	2,999	2,999
Amounts appropriated for expenditures	(195)	-	(984)	(984)	(1,179)
Endowment net assets, June 30, 2020	\$ 5,078	\$ 22,847	\$ 7,725	\$ 30,572	\$ 35,650

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14. COVID-19 and CARES Act

Beginning in late calendar year 2019 and continuing through June 30, 2020, and beyond, the outbreak of the novel corona virus disease, or COVID-19, has resulted in the declaration of a global pandemic and has adversely affected economic activity across virtually all sectors and industries on a local, national, and global scale. The impact of COVID-19 on the economy and Catholic Charities' business continues to be a fluid situation.

In response to the COVID-19 pandemic, many state, local and foreign governments have put in place, and others in the future may put in place, quarantines, executive orders, shelter-in place orders, and similar government orders and restrictions in order to control the spread of the disease. Such orders or restrictions, or the perception that such orders or restrictions could occur, have resulted in business closures, work stoppages, slowdowns and delays, work-from-home policies, and travel restrictions, among other effects that could negatively impact productivity and disrupt Catholic Charities' operations.

Operationally, Catholic Charities has remained focused on supporting its clients, community, and employees during this time. Catholic Charities' work is deemed essential so the Agency responded quickly to guard the health and safety of clients, community, and employees by transitioning to a hybrid model of both on-site and virtual operations.

Through June 30, 2021, Catholic Charities has not seen a significant adverse impact to the financial position, change in net assets, and cash flows and liquidity as a result of COVID-19. However, there was a reduction in service fee revenue of 13% in the fiscal year ended June 30, 2021, compared to the prior year; which represents less than a 1% reduction in total revenue. Service fees were reduced since fewer clients can be served with the new COVID-19 safety protocols and due to the impact of remote services. The values of the Catholic Charities' investments have and will fluctuate in response to changing market conditions and impact on the Catholic Charities' liquidity. The ultimate impact of COVID-19 on the business is not estimable at this time and will be largely dependent upon a number of factors outside of Catholic Charities' control including the extent and duration of the outbreak as well as any mitigating actions which may be undertaken by global governments and the general public.

In addition, while the potential impact and duration of the COVID-19 pandemic on the global economy and Catholic Charities' business in particular may be difficult to assess or predict, the pandemic has resulted in, and may continue to result in, significant disruption of global financial markets, which could result in a reduction of Catholic Charities' net reserve fund held in the form of marketable investments, and therefore negatively affect future liquidity.

The global pandemic of COVID-19 continues to rapidly evolve, and Catholic Charities will continue to monitor the COVID-19 situation closely. The ultimate impact of the COVID-19 pandemic or a similar health epidemic is highly uncertain and subject to change. Catholic Charities does not yet know the full extent of potential delays or impacts on business, operations, or the global economy as a whole, which makes future results difficult to predict.

On March 27, 2020, the "Coronavirus Aid, Relief, and Economic Security (CARES) Act." The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased

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limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property.

It also appropriated funds for the SBA Paycheck Protection Program loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19. In April 2020, Catholic Charities applied for and received loans for \$6.096 million under the PPP. As of June 30, 2021, Catholic Charities have been forgiven for the loan amounts totaling \$989 thousand and subsequent to June 30, 2021, the remaining PPP loan amounts were forgiven totaling \$4.817 million. See note 6.

On December 27, 2020, the Consolidated Appropriations Act, 2021 (the 2020 Act) was passed which includes \$900 billion in stimulus relief as a result of the COVID-19 pandemic. Catholic Charities did not partake in programs under the 2020 Act.

On March 10, 2021, the American Rescue Plan Act of 2021 (the 2021 Act) was passed, a \$1.9 trillion stimulus relief package to provide support to individuals and businesses affected by COVID-19. Catholic Charities did not partake in programs under the 2021 Act.

Management continues to monitor the impact the COVID-19 pandemic and the CARES Act, the 2020 Act, and the 2021 Act could have on Catholic Charities' operations and financial position in fiscal year 2022.

15. Subsequent Events

Catholic Charities has evaluated events and transactions for potential recognition or disclosure through December 7, 2021, the date the consolidated financial statements were available to be issued. Other than the events described in note 6, Catholic Charities is not aware of any other subsequent events that would require recognition or disclosure in the consolidated financial statements.