



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

**Consolidated Financial Statements  
and Independent Auditor's Report  
Years ended June 30, 2024 and 2023**

The report accompanying these financial statements was issued by BDO USA, P.C., a Virginia professional corporation, 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**

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Consolidated Financial Statements  
and Independent Auditor's Report  
Years ended June 30, 2024 and 2023

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

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## Independent Auditor's Report

To 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, 2024 and 2023, 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, 2024 and 2023, 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 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, P.C.*

December 13, 2024

## **Consolidated Financial Statements**

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

## Consolidated Statements of Financial Position (dollars in thousands)

June 30,	2024	2023
<b>Assets</b>		
Cash and cash equivalents (note 1)	\$ 33,772	\$ 28,561
Grants and contract receivables, net of allowance for uncollectible receivables of \$167 and \$133 in 2024 and 2023, respectively	9,932	8,801
Medicaid Rehabilitation Option (MRO) receivables, net of allowance for current expected credit losses of \$691 and \$507 in 2024 and 2023, respectively	1,777	827
Pledge receivables, net of allowance for uncollectible pledges of \$162 and \$264 in 2024 and 2023, respectively (note 3)	13,574	16,009
Prepaid expenses and other assets	2,722	1,825
Investments (note 4)	43,075	38,680
Operating lease right-of-use asset (note 8)	3,998	5,033
Finance lease assets, net (note 8)	162	59
Property and equipment, net (note 5)	24,057	25,155
<b>Total assets</b>	<b>\$ 133,069</b>	<b>\$ 124,950</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 2,338	\$ 1,344
Accrued expenses	8,251	7,214
Refundable advances	5,345	6,052
Funds held on behalf of others	78	93
Operating lease liabilities (note 8)	4,097	5,157
Finance lease liabilities (note 8)	155	59
<b>Total liabilities</b>	<b>20,264</b>	<b>19,919</b>
<b>Commitments and contingencies</b>		
<b>Net assets</b>		
Without donor restrictions (note 12):		
Undesignated	18,499	10,023
Board designated	11,383	9,672
Invested in property and equipment	17,015	22,955
<b>Total without donor restrictions</b>	<b>46,897</b>	<b>42,650</b>
With donor restrictions (note 13):		
Restricted for program activities or time	35,542	36,938
Restricted for property and equipment	4,942	150
Donor restricted endowment	25,424	25,293
<b>Total with donor restrictions</b>	<b>65,908</b>	<b>62,381</b>
<b>Total net assets</b>	<b>112,805</b>	<b>105,031</b>
<b>Total liabilities and net assets</b>	<b>\$ 133,069</b>	<b>\$ 124,950</b>

*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>	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, gains, and other support:</b>						
Contributions	\$ 4,323	\$ 7,509	\$ 11,832	\$ 5,099	\$ 1,837	\$ 6,936
Legacies and bequests	3,014	-	3,014	1,031	1,023	2,054
Special events	2,333	72	2,405	6,983	18	7,001
Archdiocese of Washington (note 9)	101	500	601	118	500	618
Capital campaign	-	1,755	1,755	-	3,288	3,288
Grants and contracts	45,689	-	45,689	46,263	-	46,263
Service fees	7,977	-	7,977	6,320	-	6,320
Food sales	3,914	-	3,914	3,718	-	3,718
Other income	2,928	-	2,928	1,926	-	1,926
Investment income, net	2,318	4,880	7,198	701	2,854	3,555
In-kind contributions (note 11)	22,321	-	22,321	21,391	-	21,391
Net assets released from restriction (note 13)	11,189	(11,189)	-	13,545	(13,545)	-
<b>Total revenue, gains, and other support</b>	<b>106,107</b>	<b>3,527</b>	<b>109,634</b>	<b>107,095</b>	<b>(4,025)</b>	<b>103,070</b>
<b>Expenses:</b>						
Program services	87,970	-	87,970	86,184	-	86,184
Supporting services:						
Management and general	10,750	-	10,750	10,173	-	10,173
Fund-raising	3,140	-	3,140	3,278	-	3,278
<b>Total expenses</b>	<b>101,860</b>	<b>-</b>	<b>101,860</b>	<b>99,635</b>	<b>-</b>	<b>99,635</b>
<b>Change in net assets</b>	<b>4,247</b>	<b>3,527</b>	<b>7,774</b>	<b>7,460</b>	<b>(4,025)</b>	<b>3,435</b>
<b>Net assets, beginning of year</b>	<b>42,650</b>	<b>62,381</b>	<b>105,031</b>	<b>35,190</b>	<b>66,406</b>	<b>101,596</b>
<b>Net assets, end of year</b>	<b>\$ 46,897</b>	<b>\$ 65,908</b>	<b>\$ 112,805</b>	<b>\$ 42,650</b>	<b>\$ 62,381</b>	<b>\$ 105,031</b>

*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, 2024	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	\$ 8,734	\$ 4,555	\$ 4,014	\$ 1,948	\$ 9,766	\$ 4,681	\$ 33,698	\$ 6,560	\$ 1,494	\$ 8,054	\$ 41,752
Benefits	1,441	849	788	346	1,647	795	5,866	1,146	211	1,357	7,223
Payroll taxes	643	333	294	142	720	333	2,465	454	107	561	3,026
Staff expenses	79	75	2	24	85	73	338	196	6	202	540
Professional services	80	227	121	12	2,184	18	2,642	742	230	972	3,614
Office expense	381	58	117	46	159	74	835	333	439	772	1,607
Communications	152	62	52	51	126	79	522	87	20	107	629
Program expenses	1,793	345	521	116	434	63	3,272	-	-	-	3,272
Client assistance	36	23	54	5,881	338	427	6,759	-	-	-	6,759
Direct cost of food sales	-	-	3,072	-	-	-	3,072	-	-	-	3,072
Facilities	815	1,046	357	486	608	447	3,759	392	55	447	4,206
Special events	-	-	-	-	-	-	-	-	609	609	609
Depreciation and amortization	332	216	145	124	354	148	1,319	271	43	314	1,633
Bad debt	898	-	(2)	-	2	-	898	-	(85)	(85)	813
Interest	-	1	-	-	1	1	3	-	1	1	4
Miscellaneous	239	44	105	16	47	46	497	273	10	283	780
In-kind services (note 11)	13,205	-	49	747	-	8,024	22,025	296	-	296	22,321
<b>Total expenses</b>	<b>\$ 28,828</b>	<b>\$ 7,834</b>	<b>\$ 9,689</b>	<b>\$ 9,939</b>	<b>\$ 16,471</b>	<b>\$ 15,209</b>	<b>\$ 87,970</b>	<b>\$ 10,750</b>	<b>\$ 3,140</b>	<b>\$ 13,890</b>	<b>\$ 101,860</b>

*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, 2023	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	\$ 9,562	\$ 4,322	\$ 3,784	\$ 2,097	\$ 9,846	\$ 3,612	\$ 33,223	\$ 6,152	\$ 1,404	\$ 7,556	\$ 40,779	
Benefits	1,583	818	764	390	1,669	542	5,766	1,098	204	1,302	7,068	
Payroll taxes	709	320	274	154	732	243	2,432	424	100	524	2,956	
Staff expenses	100	66	14	32	69	50	331	180	10	190	521	
Professional services	84	256	50	2	3,538	25	3,955	878	189	1,067	5,022	
Office expense	442	42	124	30	172	85	895	334	454	788	1,683	
Communications	185	55	44	39	132	50	505	136	15	151	656	
Program expenses	1,740	317	608	137	319	149	3,270	-	-	-	3,270	
Client assistance	150	18	-	5,317	483	168	6,136	-	-	-	6,136	
Direct cost of food sales	-	-	2,860	-	-	-	2,860	-	-	-	2,860	
Facilities	970	978	379	365	737	197	3,626	382	43	425	4,051	
Special events	-	-	-	-	-	-	-	-	656	656	656	
Depreciation and amortization	424	227	134	80	374	65	1,304	308	35	343	1,647	
Bad debt	219	35	45	-	(37)	-	262	-	159	159	421	
Interest	-	-	-	-	-	-	-	9	-	9	9	
Income and other taxes	6	5	12	2	-	-	25	3	-	3	28	
Miscellaneous	115	25	71	43	37	29	320	152	9	161	481	
In-kind services (note 11)	13,047	-	51	537	-	7,639	21,274	117	-	117	21,391	
<b>Total expenses</b>	<b>\$ 29,336</b>	<b>\$ 7,484</b>	<b>\$ 9,214</b>	<b>\$ 9,225</b>	<b>\$ 18,071</b>	<b>\$ 12,854</b>	<b>\$ 86,184</b>	<b>\$ 10,173</b>	<b>\$ 3,278</b>	<b>\$ 13,451</b>	<b>\$ 99,635</b>	

*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,	2024	2023
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 7,774	\$ 3,435
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	1,633	1,647
Bad debt (recoveries) expense	(85)	206
Allowance for expected credit losses	898	215
(Gain) loss from disposal of property and equipment	(2,270)	9
Net gain on investments, unrealized	(4,919)	(1,560)
Net gain on investments, realized	(670)	(1,582)
Non-cash operating lease expense	1,126	1,117
Receipt of contributions for endowment	(128)	(117)
Receipt of contribution for property and equipment	(2,500)	(50)
<b>(Increase) decrease in assets:</b>		
Grants and contract receivables	(1,046)	107
Medicaid Rehabilitation Option (MRO) receivables	(1,848)	(458)
Pledge receivables	2,156	6,126
Prepaid expenses and other assets	(897)	40
Finance lease assets	23	3
<b>Increase (decrease) in liabilities:</b>		
Accounts payable and accrued expenses	2,031	(1,363)
Refundable advances	(707)	(924)
Funds held on behalf of others	(15)	(27)
Operating lease liabilities	(1,151)	(1,133)
<b>Net cash (used in) provided by operating activities</b>	<b>(595)</b>	<b>5,691</b>
<b>Cash flows from investing activities:</b>		
Purchases of investments	(12,490)	(14,372)
Proceeds from sales and maturities of investments	13,684	15,510
Proceeds from sale of property and equipment	3,086	-
Purchases of property and equipment	(1,351)	(1,320)
<b>Net cash provided by (used in) investing activities</b>	<b>2,929</b>	<b>(182)</b>
<b>Cash flows from financing activities:</b>		
Contributions receivable restricted for long-term purpose	279	662
Contributions for endowment	128	117
Contributions for property and equipment	2,500	50
Principal reduction in finance lease liabilities	(30)	(3)
<b>Net cash provided by financing activities</b>	<b>2,877</b>	<b>826</b>
<b>Net increase in cash and cash equivalents</b>	<b>5,211</b>	<b>6,335</b>
Cash and cash equivalents at the beginning of the year	28,561	22,226
<b>Cash and cash equivalents at the end of the year</b>	<b>\$ 33,772</b>	<b>\$ 28,561</b>

*(continued)*

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

## Consolidated Statements of Cash Flows (dollars in thousands) *(continued)*

<i>Years ended June 30,</i>	<b>2024</b>	<b>2023</b>
<b>Supplemental disclosure of noncash operating activity:</b>		
Non-cash operating lease assets obtained in exchange for new operating lease liabilities - upon adoption	\$ -	\$ 6,558
Non-cash operating lease assets obtained in exchange for new operating lease liabilities	\$ 308	\$ -
Non-cash operating lease assets and operating lease liabilities written-off - upon termination	\$ 217	\$ 408
Non-cash change in deferred rent in accrued expenses	\$ -	\$ 140
<b>Supplemental disclosure of noncash financing activity:</b>		
Non-cash finance lease assets obtained in exchange for new finance lease liabilities - upon adoption	\$ 126	\$ 62
Purchases of property and equipment in accounts payable	\$ 204	\$ 20

*See accompanying notes to the consolidated financial statements.*

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

## Notes to the Consolidated Financial Statements

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### 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. (AMH), 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 entity 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 legal services for civil matters through the Catholic Charities Legal Network, a program of Catholic Charities, through 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 and 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

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*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. Immigration legal services are provided by an in-house legal staff as well as a network of pro bono providers.

### ***Principles of Consolidation***

The consolidated financial statements include the accounts of CCADW, the Foundation, AMH, Kennedy, SCC, AHC, Kennedy I, and Kennedy II. 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.

### ***Basis of Presentation***

Catholic Charities follows the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958 *Not-for-Profit Entities*. Catholic Charities is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

### ***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.

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

## Notes to the Consolidated Financial Statements

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### *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 \$78 thousand and \$93 thousand was held on behalf of others as of June 30, 2024 and 2023, respectively.

Catholic Charities holds cash that is restricted for specific programs of \$329 thousand and \$372 thousand for the years ended June 30, 2024 and 2023, respectively.

### *Concentrations of Credit Risk*

Catholic Charities is subject to credit risk concentrations principally from cash and cash equivalents, investments, grant and contracts receivables, MRO receivables and pledge receivables. 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 \$673 thousand and \$454 thousand as of June 30, 2024 and 2023 respectively. Investments are subject to market fluctuations that may materially affect the investment balance. Pledge receivables consist primarily of amounts due from donors. Grants and contracts receivable consist primarily of amounts due from government grants and contracts. MRO receivables consists of amounts due from the provision of behavioral health services. Historically, Catholic Charities has not experienced significant losses related to these receivables, and, therefore, does not believe that there is a material credit risk related to pledge receivables, grants and contracts receivables and MRO receivables.

### *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.

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

## Notes to the Consolidated Financial Statements

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**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 expenses, which consist of investment management fees, are included in investment return in the consolidated statements of activities.

### ***Grants and Contract Receivables***

Receivables from government contracted services represent amounts due from government entities for services rendered under contractual agreements. Uncollectible receivables 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. The amounts of \$23 thousand and \$285 thousand were written-off during the years ended June 30, 2024 and 2023, respectively. As of June 30, 2024 and 2023, Catholic Charities had an allowance for uncollectible accounts for of \$167 thousand and \$133 thousand, respectively.

Included in these 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 a balloon payment due at maturity on April 26, 2029. As of June 30, 2024 and 2023, the balance of the Note was approximately \$87 thousand and \$89 thousand, respectively. As of June 30, 2024 and 2023, there was no allowance for expected credit losses recorded for this receivable.

### ***Medicaid Rehabilitation Option Service (MRO) Receivables and Allowance for Expected Credit Losses***

Receivables for the MRO program are stated at the invoiced amount for services provided, net of an allowance for expected credit losses.

Catholic Charities uses the allowance method to record estimates of expected credit losses. The allowance is based on historical experience, current conditions, and reasonable and supportable forecasts. Uncollectible receivables 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. Write-offs are recognized as a deduction from the allowance for credit losses. Expected recoveries of amounts previously written off, not to exceed the aggregate of the amount previously written off, are included in determining the necessary reserve at the reporting date.

Catholic Charities pools its receivables based on similar risk characteristics in estimating expected credit losses. In situations where certain receivables do not share the same risk characteristics with other receivable, Catholic Charities measures those receivables individually. Catholic Charities evaluates such pooling decisions and adjusts annually, as needed, as risk characteristics change.

Catholic Charities determines its estimated credit losses for receivables using an expected loss rate approach based on the receivable aging schedule in determining its lifetime expected credit losses on its receivables from customers. This method is used for calculating an estimate of losses based primarily on Catholic Charities' historical loss experience by receivable aging bucket. In determining its loss rates, Catholic Charities evaluates information related to its historical losses, adjusted for current conditions, and further adjusted for the period of time that Catholic Charities can reasonably forecast. For the period of time beyond which Catholic Charities can reasonably forecast,



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

## Notes to the Consolidated Financial Statements

reversion to historical loss experience is applied based on the facts and circumstances as of the reporting date. Catholic Charities is able to reasonably support a forecast period for one year after the consolidated statement of financial position date. Qualitative and quantitative adjustments related to current conditions and the reasonable and supportable forecast period consider the following risk characteristics: age of the receivable, changes in Catholic Charities' evaluation of the customers' creditworthiness, and the current and forecasted direction of the economic and business environment.

The activity in the allowance for credit losses on MRO receivables for the year ended June 30, 2024 under the Current Expected Credit Losses (CECL) methodology is as follows:

	Beginning allowance balance	Provision for the year	Write offs charged against the allowance	Ending allowance balance
MRO receivables	\$ 507	\$ 898	\$ (714)	\$ 691
	\$ 507	\$ 898	\$ (714)	\$ 691

The activity in the allowance for losses on MRO receivables for the year ended June 30, 2023 under the incurred loss methodology is as follows:

	Beginning allowance balance	Provision for the year	Write offs charged against the allowance	Ending allowance balance
MRO receivables	\$ 909	\$ 214	\$ (616)	\$ 507
	\$ 909	\$ 214	\$ (616)	\$ 507

### ***Pledge Receivables***

Pledge receivables consist of unconditional promises to give primarily related to the capital campaign. Pledge receivables are recorded net of an allowance for estimated uncollectible pledge and a discount for amounts due beyond one year. The amounts of \$118 thousand and \$77 thousand were written-off during the years ended June 30, 2024 and 2023, respectively. As of June 30, 2024 and 2023, Catholic Charities had an allowance for uncollectible accounts of \$162 thousand and \$264 thousand, respectively.

### ***Property and Equipment, Net***

Acquisitions of property and equipment are recorded at cost. Depreciation and amortization on property and equipment, except for land which is not depreciated or amortized, 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:

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

## Notes to the Consolidated Financial Statements

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

The costs to renovate and/or develop projects are capitalized and classified as construction-in-progress. All direct costs related to the projects are capitalized including (a) land and building, (b) architect and engineering fees, (c) construction costs, (d) interest during construction, and (d) legal, project management, and other similar costs. Upon delivery of the project, construction-in-progress is placed into service and recorded as property and equipment.

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.

### Leases

#### Short-term leases

A contract is or contains a lease if the contract conveys the right to *control* the use of an identified asset for a period of time in exchange for consideration. Catholic Charities does not apply the recognition requirements under FASB ASC Topic 842, *Leases* to short-term leases. Leases with an initial term of 12 months or less are not recorded in the consolidated statements of financial position, and Catholic Charities recognizes lease expense for these leases on a straight-line basis over the lease term. The lease term is the non-cancelable period of the lease, including any options to extend, purchase or terminate the lease when it is reasonably certain that Catholic Charities will exercise that option.

#### Operating leases

Right-of-use (ROU) assets represent Catholic Charities' right to use an underlying asset for the lease term and lease liabilities represent Catholic Charities' obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at lease commencement date based on the present value of lease payments over the lease term, calculated using a rate of return selected based on the term of the lease. As an implicit rate for most leases is not determinable, Catholic Charities made an accounting policy election to use a risk-free discount rate as a practical expedient in lieu of its incremental borrowing rate when assessing lease classification and when measuring its lease liabilities. The lease payments for the initial measurement of lease ROU assets and lease liabilities include fixed payments only. Catholic Charities has elected the practical expedient to account for each separate lease component of a contract and its associated non-lease components as a single lease payment for all leases except real estate leases. For real estate leases, non-lease components are separated from lease components for accounting purposes. The right-of-use asset is amortized over the shorter of the lease term or the economic life of the leased asset. Rent expense is recognized on a straight-line basis over the operating lease term.

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

## Notes to the Consolidated Financial Statements

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### Finance leases

Finance leases recognize interest expense and ROU asset amortization expense over the lease term.

### ***Charitable Gift Annuities***

Catholic Charities are beneficiaries of 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 utilized are as stated in Section 7520 of the Internal Revenue Code (the IRC).

Balances associated with charitable gift annuities as of June 30, 2024 and 2023 included a liability to beneficiaries of \$72 thousand and \$75 thousand, respectively. During each of the years ended June 30, 2024 and 2023, 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 \$1.6 million Shelter and Transitional Housing Facilities Grant (the 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 continues 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 continues 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

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Under 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, 2024 and 2023, the balance of the Grant and the Construction Loan were \$1.6 million and \$500 thousand, respectively. These amounts were 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 is 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 \$2.5 million are included in refundable advances in the consolidated statements of financial position as of June 30, 2024 and 2023, 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>		<b>2024</b>		<b>2023</b>
AHC	\$	<b>157</b>	\$	<b>174</b>
Kennedy Housing I		<b>70</b>		<b>70</b>
Kennedy Housing II		<b>56</b>		<b>80</b>
<b>Total replacement reserves</b>	<b>\$</b>	<b>283</b>	<b>\$</b>	<b>324</b>

### *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

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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***

#### ***Revenue Accounted for in Accordance with ASU 2018-08, Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made***

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.

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.

#### ***Contracts with Customers Accounted for in Accordance with ASU 2014-09, Revenue from Contracts with Customers (Topic 606)***

Catholic Charities recognizes revenue when it satisfies a performance obligation by transferring a promised good to, or performing a service for, a customer. The amount of revenue recognized reflects the consideration Catholic Charities expects to receive in exchange for satisfying distinct performance obligations. Catholic Charities expects that the period between when Catholic Charities transfers goods and services to their customers and when the customers pay for those

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

## Notes to the Consolidated Financial Statements

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goods and services will be one year or less. Therefore, Catholic Charities has elected the practical expedient not to adjust the promised amount of consideration for the effects of a significant financing component. Amounts received in advance of services performed, but not yet earned, are recorded as deferred revenue.

Food sales, which are not government grants and contracts, are exchange transactions recognized as revenue at the point-in-time when the food is delivered to the clients and is included in food sales as revenue without donor restrictions. Catholic Charities does not provide refunds of food sales.

Service fees for behavioral health services rendered under the MRO program are reimbursed on a fee for service basis in accordance with a fee schedule provided in the MRO agreement. Revenue is recognized at the point-in-time when the related services are rendered and is included in service fees as revenue without donor restrictions. Catholic Charities does not provide refunds of service fees.

### ***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 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. Non-compensated 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 expenses include the costs of venues, meals, and entertainment provided at fundraising events.

### ***Income Taxes***

Catholic Charities has received a group determination letter from the Internal Revenue Service (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. Catholic Charities is exempt from the payment of Federal and state income taxes on income other than net unrelated business income under Section 501(c)(3) of the Internal Revenue

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

## Notes to the Consolidated Financial Statements

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Code (the IRC). No provision for income taxes was recorded during the years ended June 30, 2024 and 2023 since Catholic Charities had no significant unrelated business taxable 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, 2021 and prior.

### ***Recently Adopted Accounting Pronouncement***

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments*, which requires financial assets measured at amortized cost basis to be presented at the net amount expected to be collected. This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the CECL methodology. This standard was effective for Catholic Charities for the year ended June 30, 2024. Catholic Charities adopted ASC 326 and all related subsequent amendments thereto effective July 1, 2023.

Catholic Charities uses the aging method to calculate reserves. Loss percentages are assigned to the different aging categories based on prior years' experience. Based on previous history, the constant nature of the business, and receivables have remained consistent year over year, management determined that the reserve percentage utilized under the previous standard is the same under CECL. As of the adoption date and reporting date, it has been determined that current economic conditions did not have a major impact on Catholic Charities' reasonable and supportable forecasts on credit losses. Management's analysis is as of June 30, 2024 and will be updated annually.

Catholic Charities adopted the standard effective July 1, 2023 utilizing the modified retrospective transition method. The adoption of this standard did not have a material impact on the Catholic Charities' consolidated financial statements.

### ***Recent Accounting Pronouncements Not Yet Adopted***

In December 2023, the FASB issued ASU 2023-09, *Income Taxes* (Topic 740): *Improvements to Income Tax Disclosures*, to enhance the transparency and decision usefulness of income tax disclosures. Specifically, all entities are required to disclose additional information about income taxes paid, including income tax expense (net of refunds received) disaggregated by federal (national), state, and foreign taxes. The ASU is effective for annual periods beginning after December 15, 2025. Early adoption is permitted. Catholic Charities is evaluating the effect that adoption of this new standard will have on Catholic Charities' consolidated financial statements.

Catholic Charities also assessed other accounting pronouncements issued or effective during the year ended June 30, 2024 and deemed they were not applicable to Catholic Charities or are not anticipated to have a material effect on the consolidated financial statements.

### ***Reclassifications***

Certain amounts in the 2023 financial statements have been reclassified to conform with the current year financial statement presentation. The grants and contract receivables and MRO receivables are

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

## Notes to the Consolidated Financial Statements

now classified separately in the accompanying consolidated statements of financial position. These reclassifications had no effect on the previously reported net assets or change in net assets.

### 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.

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

<i>June 30,</i>	<b>2024</b>	<b>2023</b>
<b>Financial assets:</b>		
Cash and cash equivalents	\$ 33,772	\$ 28,561
Grants and contract receivables, net	9,932	8,801
MRO receivable, net	1,777	827
Pledge receivables, net	13,754	16,009
Investments	43,075	38,680
<b>Financial assets, at year-end</b>	<b>102,310</b>	<b>92,878</b>
<b>Liquidity resources:</b>		
Budgeted fiscal year 2024 and 2023 net assets released from restriction, respectively	10,902	12,370
Available line-of-credit	1,000	1,000
	<b>11,902</b>	<b>13,370</b>
<b>Amounts restricted to use:</b>		
Funds held on behalf of others	78	93
Restricted cash and cash equivalents (note 1)	329	372
Note receivable due in 2029 within receivables (note 1)	87	89
Board designated (note 11)	11,383	9,672
Donor restrictions, less restricted property and equipment (note 13)	60,966	62,231
Replacement reserve (note 1)	283	324
	<b>73,126</b>	<b>72,781</b>
<b>Total financial assets and liquidity resources available within one year</b>	<b>\$ 41,086</b>	<b>\$ 33,467</b>

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, 2024 and 2023, Catholic Charities has Board Designated net assets without donor restrictions of \$11.3 million and \$9.7



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

## Notes to the Consolidated Financial Statements

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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.

### 3. Pledge Receivables

Pledge receivables, net are summarized as follows (dollars in thousands):

<i>June 30,</i>	<b>2024</b>	<b>2023</b>
Unconditional promises expected to be collected in:		
Less than one year	\$ 8,211	\$ 6,741
One to five years	5,201	9,439
More than five years	889	400
	<b>14,301</b>	<b>16,580</b>
Less:		
Unamortized discount	(565)	(307)
Allowance for uncollectible pledges	(162)	(264)
<b>Pledge receivables, net</b>	<b>\$ 13,574</b>	<b>\$ 16,009</b>

Pledge receivables are discounted at rates ranging from 0.82% to 5.17%, which approximate the risk-adjusted rate of return for the expected promises to give at the day of the pledge.

As of June 30, 2024 and 2023, conditional contributions of approximately \$6.0 million and \$7.5 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, 2024				
	Total	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
Investments at fair value:				
Equity securities	\$ 23,873	\$ 23,873	\$ -	\$ -
Fixed income	15,242	-	15,242	-
Mutual funds	1,047	1,047	-	-
Exchange traded funds	775	775	-	-
Pooled funds	1,383	-	-	1,383
<b>Total investments at fair value level</b>	<b>\$ 42,320</b>	<b>\$ 25,695</b>	<b>\$ 15,242</b>	<b>\$ 1,383</b>
Investments at cost*				
Cash	755			
<b>Total investments</b>	<b>\$ 43,075</b>			

As of June 30, 2023				
	Total	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
Investments at fair value:				
Equity securities	\$ 19,340	\$ 19,340	\$ -	\$ -
Fixed income	15,154	-	15,154	-
Mutual funds	1,208	1,208	-	-
Exchange traded funds	833	833	-	-
Pooled funds	699	-	-	699
<b>Total investments at fair value level</b>	<b>\$ 37,234</b>	<b>\$ 21,381</b>	<b>\$ 15,154</b>	<b>\$ 699</b>
Investments at cost*				
Cash	1,446			
<b>Total investments</b>	<b>\$ 38,680</b>			

\* Cash included in the investment portfolio is not subject to the provisions of fair value measurements as it is recorded at cost and is only included 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

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### 5. Property and Equipment, Net

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

<i>June 30,</i>		<b>2024</b>		<b>2023</b>
Land, building, and building improvements	\$	<b>28,952</b>	\$	29,495
Leasehold improvements		<b>10,744</b>		11,201
Furniture and equipment		<b>8,202</b>		8,128
Construction-in-progress		<b>1,866</b>		1,392
		<b>49,764</b>		50,216
Less accumulated depreciation and amortization		<b>(25,707)</b>		(25,061)
Property and equipment, net	\$	<b>24,057</b>	\$	25,155

### 6. Debt

#### *Line-of-Credit*

Catholic Charities has a \$1.0 million available line-of-credit from a bank as of June 30, 2024 and 2023 respectively. The line-of-credit requires annual renewals to remain available. The line-of-credit bears interest at the Wall Street Journal U.S. Prime Rate minus 1.25%, but not less than 2%. As of June 30, 2024, the interest rate on the line-of-credit was 7.25%. As of June 30, 2024 and 2023, there was no outstanding balance on the line-of-credit. The line-of-credit matures, if not renewed, on March 19, 2025.

### 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 received the vested benefits promised under the Plan. The multi-employer plan is approximately 106.94% and 98.2% funded at June 30, 2024 and 2023, respectively.

Catholic Charities incurred retirement costs of \$3.3 million and \$3.2 million during the years ended June 30, 2024 and 2023, 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. Effective January 1, 2024, the matching contribution from the Archdiocese of Washington was changed to 100% up to 4% of eligible pay period compensation.

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## Notes to the Consolidated Financial Statements

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In addition, the Archdiocese of Washington's annual contribution was changed to a flat rate of 2% of the annual compensation.

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 \$185 thousand and \$128 thousand were awarded for the years ended June 30, 2024 and 2023, respectively.

### 8. Leases

Catholic Charities has leases relating to office buildings, warehouse, vehicles, and equipment. Catholic Charities' operating leases expire between 2024 and 2030. Certain leases have rent abatement, escalating rent payment provisions, lease renewal options, and tenant allowances. For leases where Catholic Charities is reasonably certain to exercise a renewal option, such option periods have been included in the determination of the right-of-use assets and lease liabilities on the consolidated statements of financial position.

Rent expense on operating leases is recognized on a straight-line basis over the non-cancelable lease term. During the years ended June 30, 2024 and 2023, Catholic Charities recognized a short-term lease expense of \$122 thousand and \$197 thousand, respectively, related to apartment leases for Fortitude Maryland clients and other immaterial short-term leased equipment.

Included in the facilities and program expenses, lease expense consisted of the following (dollars in thousands):

<i>Years ended June 30,</i>		<b>2024</b>		<b>2023</b>
Operating lease expense	\$	1,257	\$	1,305
Short-term lease expense		122		197
Variable lease expense		201		196
<b>Total rent expense</b>	<b>\$</b>	<b>1,580</b>	<b>\$</b>	<b>1,698</b>

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

## Notes to the Consolidated Financial Statements

Maturities of operating and finance lease liabilities for the next five years and thereafter consist of the following (dollars in thousands):

<i>Years ending June 30,</i>	Operating Lease	Finance Lease
2025	\$ 1,254	\$ 62
2026	1,152	62
2027	891	40
2028	660	-
2029	254	-
Thereafter	127	-
Total undiscounted minimum lease payments	4,337	163
Less: imputed interest	(240)	(8)
Net lease liabilities	\$ 4,097	\$ 155

During the years ended June 30, 2024 and 2023, Catholic Charities recognized \$3.6 thousand and \$1 thousand, respectively, of interest expense on its finance lease liabilities. Amortization of finance lease assets included in depreciation and amortization is \$23.5 thousand and \$3.3 thousand for the years ended June 30, 2024 and 2023, respectively.

Consolidated supplemental information related to Catholic Charities' operating lease is as follows (dollars in thousands):

<i>Years ended June 30</i>	2024	2023
Cash paid for amounts included in the measurement of lease liabilities	\$ 1,254	\$ 1,133
Lease assets obtained in exchange for new lease obligations	\$ 308	\$ 6,558
Weighted-average remaining lease term (in years)	3.93	4.78
Weighted-average discount rate	2.97%	2.88%

Consolidated supplemental information related to Catholic Charities' financing lease is as follows (dollars in thousands):

<i>Years ended June 30</i>	2024	2023
Cash paid for amounts included in the measurement of lease liabilities	\$ 31	\$ 3
Lease assets obtained in exchange for new lease obligations	\$ 126	\$ 62
Weighted-average remaining lease term (in years)	2.65	3.77
Weighted-average discount rate	4.11%	3.72%

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

## Notes to the Consolidated Financial Statements

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### 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, 2024 and 2023, Catholic Charities paid \$8.7 million and \$8.8 million, respectively, to the administrator of the Archdiocese of Washington insurance programs and Archdiocesan retirement 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 per claim.

For the years ended June 30, 2024 and 2023, Catholic Charities received a contribution of \$601 thousand and \$618 thousand, respectively, from the Archdiocese of Washington and the Archdiocese of Washington's Forward in Faith, Inc. in support of its programs.

Catholic Charities leases buildings from the Archdiocese of Washington. Payments made under these leases for the years ended June 30, 2024 and 2023 were \$499 thousand and \$475 thousand, respectively.

### 10. Commitments and Contingencies

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. 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 11.84% and 10.03% of Catholic Charities total revenue for the years ended June 30, 2024 and 2023, 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 expenses in the consolidated statements of activities. \$22.3 million and \$21.4 million of contributed non-financial assets were

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

## Notes to the Consolidated Financial Statements

utilized for the adult and children clinical services, the enterprises, education and employment, the family, parish and community outreach, and the newcomer network programs during the years ended June 30, 2024 and 2023, respectively.

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

<i>Years ended June 30,</i>		<b>2024</b>	<b>2023</b>
<u><i>Type of service</i></u>	<u><i>Valuation Techniques</i></u>		
Healthcare network	Rate per consults or procedures established by hospitals/physicians	\$ 10,629	\$ 10,848
Immigration legal services	Hourly rates by type of services used by the law firms that provide the service	8,024	7,639
Legal network	Hourly rates by type of services used by the law firms that provide the service	2,248	1,817
Financial consulting and tax services	Average market rate per hour for each service charged by Certified Public Accountants.	709	537
Medical and dental services	Rate per procedures established by physicians and dentists	366	383
Others	Hourly training rate for English as a Second Language and Professional Development trainings.	345	167
		<b>\$ 22,321</b>	<b>\$ 21,391</b>

### 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>	<b>2024</b>	<b>2023</b>
Undesignated	\$ 18,499	\$ 10,023
Invested in property and equipment	17,015	22,955
Board designated for facilities or programs	3,074	3,074
Board designated to function as endowment	8,309	6,598
	<b>\$ 46,897</b>	<b>\$ 42,650</b>

# 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>	<b>2024</b>	<b>2023</b>
Subject to passage of time or purpose:		
Archdiocese of Washington	\$ 500	\$ 500
Capital campaign for program activities	7,043	9,343
Program services	27,999	27,095
Restricted for property and equipment	4,942	150
	<b>\$ 40,484</b>	<b>\$ 37,088</b>
Original gift amount of donor restricted endowment:		
General endowment	\$ 22,592	\$ 22,461
Anchor Mental Health endowment	1,085	1,085
Spanish Catholic Center endowment	50	50
Domestic Violence restricted fund	801	801
Monsignor Vaghi endowment	874	874
Forward-In-Faith	22	22
	<b>25,424</b>	<b>25,293</b>
<b>Total net assets with donor restrictions</b>	<b>\$ 65,908</b>	<b>\$ 62,381</b>

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

<i>Years ended June 30,</i>	<b>2024</b>	<b>2023</b>
Passage of time - Archdiocese of Washington	\$ 500	\$ 500
Capital campaign for program activities	3,808	5,147
Program services	6,781	7,898
Restricted for property and equipment	100	-
	<b>\$ 11,189</b>	<b>\$ 13,545</b>

### 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 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



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

## Notes to the Consolidated Financial Statements

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 ranges from 4.3% to 5.00% of the total endowment. For each of the years ended June 30, 2024 and 2023, the distribution was 4.3% of the average total endowment for the prior three calendar years. The endowment balances 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, 2024</i>	Board designated quasi- endowment	Original gift amount	Accumulated gains and other	Total with donor restrictions	Total
Donor restricted funds	\$ -	\$ 25,424	\$ 11,940	\$ 37,364	\$ 37,364
Board designated funds	8,309	-	-	-	8,309
	<b>\$ 8,309</b>	<b>\$ 25,424</b>	<b>\$ 11,940</b>	<b>\$ 37,364</b>	<b>\$ 45,673</b>

<i>June 30, 2023</i>	Board designated quasi- endowment	Original gift amount	Accumulated gains and other	Total with donor restrictions	Total
Donor restricted funds	\$ -	\$ 25,293	\$ 8,559	\$ 33,852	\$ 33,852
Board designated funds	6,598	-	-	-	6,598
	<b>\$ 6,598</b>	<b>\$ 25,293</b>	<b>\$ 8,559</b>	<b>\$ 33,852</b>	<b>\$ 40,450</b>

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

## Notes to the Consolidated Financial Statements

Changes in endowment net assets for the fiscal year ended June 30, 2024 (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, 2023	\$ 6,598	\$ 25,293	\$ 8,559	\$ 33,852	\$ 40,450
Income adjustment	(3)	-	84	84	81
Investment income	66	-	749	749	815
Fees	(19)	-	(165)	(165)	(184)
Net gain on investments, unrealized	647	-	3,798	3,798	4,445
Net gain on investments, realized	173	-	498	498	671
Total investment return	\$ 864	\$	\$ 4,964	\$ 4,964	\$ 5,828
Contributions	1,028	131	-	131	1,159
Amounts appropriated for expenditures	(181)	-	(1,583)	(1,583)	(1,764)
Endowment net assets, June 30, 2024	\$ 8,309	\$ 25,424	\$ 11,940	\$ 37,364	\$ 45,673

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

## Notes to the Consolidated Financial Statements

Changes in endowment net assets for the fiscal year ended June 30, 2023 (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, 2022	\$ 6,497	\$ 24,160	\$ 8,493	\$ 32,653	\$ 39,150
Income adjustment	(5)	-	87	87	82
Investment income	60	-	674	674	734
Fees	(17)	-	(170)	(170)	(187)
Net gain on investments, unrealized	376	-	800	800	1,176
Net gain on investments, realized	33	-	1,549	1,549	1,582
Total investment return	\$ 447	\$ -	\$ 2,940	\$ 2,940	\$ 3,387
Contributions	-	1,133	-	1,133	1,133
Amounts appropriated for expenditures	(346)	-	(2,874)	(2,874)	(3,220)
Endowment net assets, June 30, 2023	\$ 6,598	\$ 25,293	\$ 8,559	\$ 33,852	\$ 40,450

### 15. Subsequent Events

Catholic Charities has evaluated events and transactions for potential recognition or disclosure through December 13, 2024, 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.