

Catholic Charities of the East Bay

Financial Statements

April 30, 2024
(With Comparative Totals for 2023)



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Catholic Charities of the East Bay
Oakland, California

Opinion

We have audited the accompanying financial statements of Catholic Charities of the East Bay (a California nonprofit corporation) ("Catholic Charities"), which comprise the statement of financial position as of April 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Catholic Charities of the East Bay as of April 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Catholic Charities of the East Bay and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error,

and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Catholic Charities of the East Bay's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Catholic Charities of the East Bay's 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.

Report on Summarized Comparative Information

We have previously audited Catholic Charities of the East Bay's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 15, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended April 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Armanino^{LLP}
San Ramon, California

November 12, 2024

Catholic Charities of the East Bay
Statement of Financial Position
April 30, 2024
(With Comparative Totals for 2023)

	2024	2023
ASSETS		
Current assets		
Cash and cash equivalents	\$ 92,640	\$ 696,312
Cash and cash equivalents held for other organizations	1,160,616	936,628
Grants receivable, net	1,530,171	1,356,872
Contributions receivable, net	98,136	28,263
Prepaid and other current assets	124,206	47,112
Total current assets	3,005,769	3,065,187
Noncurrent assets		
Cash and cash equivalents held for long-term purposes	408,719	652,789
Investments in marketable securities	25,244,294	21,261,819
Contributions receivable, net of current portion	391,387	536,149
Operating lease right-of-use asset, net	766,037	897,137
Property and equipment, net	1,733,199	1,921,226
Endowment investments	2,418,951	4,780,365
Total noncurrent assets	30,962,587	30,049,485
Total assets	\$ 33,968,356	\$ 33,114,672
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 1,376,505	\$ 1,482,145
Funds held for other organizations	3,054,755	2,330,505
Deferred revenue	75,050	278,232
Line of credit	2,390,930	729,411
Paycheck Protection Program refundable advance	-	76,442
Current portion of note payable	55,227	52,547
Current portion of operating lease liability	138,438	136,086
Total current liabilities	7,090,905	5,085,368
Long-term liabilities		
Note payable, net of current portion	929,932	985,451
Operating lease liability, noncurrent	645,268	771,867
Total long-term liabilities	1,575,200	1,757,318
Total liabilities	8,666,105	6,842,686
Net assets		
Without donor restrictions		
Operating surplus (deficit)	(3,625,841)	(2,152,025)
Board designated	11,270,070	11,580,229
Total without donor restrictions	7,644,229	9,428,204
With donor restrictions		
Total net assets	25,302,251	26,271,986
Total liabilities and net assets	\$ 33,968,356	\$ 33,114,672

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

Catholic Charities of the East Bay
Statement of Activities
For the Year Ended April 30, 2024
(With Comparative Totals for 2023)

	Without Donor Restrictions	With Donor Restrictions	2024 Total	2023 Total
Revenues, gains and other support				
Contributions	\$ 2,223,754	\$ 47,813	\$ 2,271,567	\$ 1,340,117
Bequests	371,360	-	371,360	583,912
Private grants	928,730	93,673	1,022,403	585,000
Government grants	1,733,234	-	1,733,234	5,167,982
Program services revenue	481,273	-	481,273	437,715
Fundraising and special events	102,196	-	102,196	48,341
Other revenue	164,467	-	164,467	191,978
Net assets released from restriction	<u>505,027</u>	<u>(505,027)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>6,510,041</u>	<u>(363,541)</u>	<u>6,146,500</u>	<u>8,355,045</u>
Functional expenses				
Program services	<u>6,446,032</u>	<u>-</u>	<u>6,446,032</u>	<u>9,924,368</u>
Support services				
Management and general	1,789,461	-	1,789,461	1,975,111
Fundraising	<u>901,209</u>	<u>-</u>	<u>901,209</u>	<u>706,072</u>
Total support services	<u>2,690,670</u>	<u>-</u>	<u>2,690,670</u>	<u>2,681,183</u>
Total functional expenses	<u>9,136,702</u>	<u>-</u>	<u>9,136,702</u>	<u>12,605,551</u>
Change in net assets from operations	<u>(2,626,661)</u>	<u>(363,541)</u>	<u>(2,990,202)</u>	<u>(4,250,506)</u>
Non-operating activity				
Realized and unrealized gains (losses), net of investment expenses of \$188,502	561,156	836,041	1,397,197	(43,230)
Interest and dividends	<u>281,530</u>	<u>341,740</u>	<u>623,270</u>	<u>581,904</u>
Total non-operating activity	<u>842,686</u>	<u>1,177,781</u>	<u>2,020,467</u>	<u>538,674</u>
Change in net assets	(1,783,975)	814,240	(969,735)	(3,711,832)
Net assets, beginning of year	<u>9,428,204</u>	<u>16,843,782</u>	<u>26,271,986</u>	<u>29,983,818</u>
Net assets, end of year	<u>\$ 7,644,229</u>	<u>\$ 17,658,022</u>	<u>\$ 25,302,251</u>	<u>\$ 26,271,986</u>

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

Catholic Charities of the East Bay
Statement of Functional Expenses
For the Year Ended April 30, 2024
(With Comparative Totals for 2023)

	Program Services	Support Services		Total Support Services	2024 Total	2023 Total
		Management and General	Fundraising			
Personnel expenses						
Salaries and wages	\$ 3,043,654	\$ 618,586	\$ 231,440	\$ 850,026	\$ 3,893,680	\$ 5,305,407
Employee benefits	460,188	77,719	18,284	96,003	556,191	513,376
Payroll taxes	<u>307,695</u>	<u>52,810</u>	<u>18,939</u>	<u>71,749</u>	<u>379,444</u>	<u>470,870</u>
Total personnel expenses	3,811,537	749,115	268,663	1,017,778	4,829,315	6,289,653
Contract services	1,155,867	651,107	474,746	1,125,853	2,281,720	2,244,122
Financial assistance to individuals	322,076	-	-	-	322,076	2,135,009
Occupancy expense	448,989	65,549	14,632	80,181	529,170	769,565
Depreciation and amortization	164,708	18,609	4,711	23,320	188,028	210,876
Other expenses	155,957	189,838	78,995	268,833	424,790	477,218
Telecommunications	98,742	22,995	4,785	27,780	126,522	132,377
Printing and publications	6,004	15,295	41,235	56,530	62,534	48,998
Supplies	7,104	25,086	1,174	26,260	33,364	33,025
Travel	19,736	2,215	34	2,249	21,985	22,863
Interest expense	159,799	510	-	510	160,309	65,581
Events	64,567	741	653	1,394	65,961	82,239
Training and conferences	11,197	12,087	17	12,104	23,301	9,477
Postage	19,749	-	11,564	11,564	31,313	28,676
Equipment rental	<u>-</u>	<u>36,314</u>	<u>-</u>	<u>36,314</u>	<u>36,314</u>	<u>55,872</u>
Total 2024 functional expense	<u>\$ 6,446,032</u>	<u>\$ 1,789,461</u>	<u>\$ 901,209</u>	<u>\$ 2,690,670</u>	<u>\$ 9,136,702</u>	
Total 2023 functional expense	<u>\$ 9,924,368</u>	<u>\$ 1,975,111</u>	<u>\$ 706,072</u>	<u>\$ 2,681,183</u>		<u>\$ 12,605,551</u>

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

Catholic Charities of the East Bay
Statement of Cash Flows
For the Year Ended April 30, 2024
(With Comparative Totals for 2023)

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Change in net assets	\$ (969,735)	\$ (3,711,832)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	188,027	210,876
Amortization of right-of-use asset	131,100	129,416
Net realized and unrealized (gains) losses on investments	(1,397,197)	43,230
Changes in operating assets and liabilities		
Grants receivable, net	(173,299)	1,431,667
Contributions receivable, net	74,889	64,188
Prepaid and other current assets	(77,094)	(20,551)
Accounts payable and accrued expenses	(105,640)	1,629
Funds held for other organizations	724,250	(1,170,982)
Deferred revenue	(203,182)	278,232
Paycheck Protection Program refundable advance	(76,442)	(38,777)
Operating lease liability	(124,247)	(118,600)
Net cash used in operating activities	<u>(2,008,570)</u>	<u>(2,901,504)</u>
Cash flows from investing activities		
Purchases of investments	(9,028,159)	(10,584,626)
Redemption of investments	8,804,295	10,356,882
Disposals of property and equipment	-	1,153
Net cash used in investing activities	<u>(223,864)</u>	<u>(226,591)</u>
Cash flows from financing activities		
Principal payments on note payable	(52,839)	(50,249)
Proceeds from line of credit, net	1,661,519	291,700
Net cash provided by financing activities	<u>1,608,680</u>	<u>241,451</u>
Net decrease in cash, cash equivalents and cash held for other organizations and long-term purposes	(623,754)	(2,886,644)
Cash, cash equivalents and cash held for other organizations and long-term purposes, beginning of year	<u>2,285,729</u>	<u>5,172,373</u>
Cash, cash equivalents and cash held for other organizations and long-term purposes, end of year	<u>\$ 1,661,975</u>	<u>\$ 2,285,729</u>

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

Catholic Charities of the East Bay
Statement of Cash Flows
For the Year Ended April 30, 2024
(With Comparative Totals for 2023)

	2024	2023
Cash, cash equivalents and cash held for other organizations and long-term purposes consisted of the following:		
Cash and cash equivalents	\$ 92,640	\$ 696,312
Cash and cash equivalents held for other organizations	1,160,616	936,628
Cash and cash equivalents held for long-term purposes	408,719	652,789
	\$ 1,661,975	\$ 2,285,729

Supplemental disclosure of cash flow information

Cash paid during the year for interest	\$ 160,309	\$ 65,581
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Supplemental schedule of noncash investing and financing activities

Operating lease right-of-use asset obtained in exchange for operating lease liability	\$ -	\$ 1,026,553
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The accompanying notes are an integral part of these financial statements.

Catholic Charities of the East Bay
Notes to Financial Statements
April 30, 2024

1. NATURE OF OPERATIONS

Catholic Charities of the Diocese of Oakland, Inc. known in the community as Catholic Charities East Bay ("Catholic Charities") is a not-for-profit corporation, the Board members of which are elected subject to the approval of the Roman Catholic Bishop of the Diocese of Oakland.

Founded in 1935, after the consolidation of numerous Catholic Aid agencies to more effectively serve the poor and marginalized during the Great Depression, Catholic Charities supports children, youth, families, and seniors from crisis to stability to well-being in Alameda and Contra Costa counties. Catholic Charities provides compassionate services that honor the dignity of those served. Inspired by our faith and Catholic Social Teaching, Catholic Charities heeds the call of Pope Francis to help the vulnerable, serving people in need regardless of religious belief, race, national origin, gender or sexual orientation.

As the social service arm of the Bishop of Oakland, Catholic Charities is a member of Catholic Charities USA and Catholic Charities California, collectively among the largest providers of human services nationally and within the State of California. Catholic Charities is nationally accredited through the New York-based Council on Accreditation, demonstrating the implementation of best practice standards in the field of human services in all aspects of Catholic Charities' programs, services, management and administration.

Catholic Charities' programs are organized under three primary service areas:

Mental Health and Violence Prevention

The Mental Health and Violence Prevention division focuses on prevention, family and community engagement, and restorative practices. Services and supports within the division prioritize individuals, children, youth, and families in Alameda and Contra Costa counties. Our mental health and wellness approach incorporates family and community education, healing, and restorative practices, responses to community violence, and family preservation services in partnership with county social service agencies. Clinical services include brief therapy models of assessment, triage, and referrals for mild to moderate mental health needs. The team provides coaching and consultation in homes, schools, community locations, and faith-based settings.

Immigration Legal Services

The Immigration Legal Services division helps people in Alameda and Contra Costa counties with immigration issues when they don't have immediate legal solutions. The immigration team offers services that include legal consultations, naturalization, U.S Citizenship classes, permanent residency applications and renewals, family-based VISA petitions, and services to unaccompanied minors. The team includes qualified legal experts and Department of Justice accredited representatives. They understand the importance of building trust and using practices sensitive to trauma.

Catholic Charities of the East Bay
Notes to Financial Statements
April 30, 2024

1. NATURE OF OPERATIONS (continued)

Housing Services

The Housing Services division supports residents of Alameda and Contra Costa counties with emergency rental assistance, rental deposits, utility payments, and case management services for community members struggling with finding sustainable housing. Through community partnerships, the team helps housing clients maintain their current housing through rental assistance and provides case management services to identify other resources to improve their quality of life.

Disaster Emergency Services

Catholic Charities, supported by the Federal Emergency Management Agency (FEMA), Catholic Charities California, and the California Office of Emergency Services, offers case management services to people affected by natural disasters in Alameda and Contra Costa counties. This service, called Disaster Case Management (DCM), provides survivors with a single contact to access various programs and resources to address their disaster-related needs. A disaster case manager helps each client create a recovery plan and identifies available assistance based on their situation and needs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The financial statements of Catholic Charities are prepared on the accrual basis of accounting and in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") specific to nonprofit organizations. 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.

- *Net assets without donor restrictions* - consist of all resources that have not been restricted by a donor and are available to support Catholic Charities' activities. Net assets without donor restrictions may be designated for specific purposes by the Board of Directors of Catholic Charities.
- *Net assets with donor restrictions* - represent contributions that are limited in use in accordance with donor-imposed stipulations. These stipulations may expire with time or may be satisfied by the actions of Catholic Charities according to the intention of the donor. Upon satisfaction of such stipulations, the associated net assets are released from net assets with donor restrictions and reported as net assets without donor restrictions. This occurs by increasing one class of net assets and decreasing another in the statement of activities. These transactions are reported as net assets released from restriction and are reported separately from other transactions.

Catholic Charities of the East Bay
Notes to Financial Statements
April 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principle

In June 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASC 326). This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. CECL requires an estimate of expected credit losses for the remaining estimated life of the financial asset using historical experience, current conditions and reasonable and supportable forecasts and generally applies to financial assets held at amortized cost and some off-balance sheet credit exposures such as unfunded commitments to extend credit. Financial assets measured at amortized cost will be presented net of the amount expected to be collected by using an allowance for credit losses.

Catholic Charities adopted the standard effective May 1, 2023. The adoption of this standard did not have a material impact on Catholic Charities 's financial statements.

Cash and cash equivalents

Catholic Charities considers all highly liquid investments with original maturity dates of three months or less to be cash equivalents.

Catholic Charities classifies cash and cash equivalents available for operations within the next 12 months as current assets. Any cash and cash equivalents that are not available for operations within the next 12 months are classified as non-current assets.

Grants receivable, net

Grants receivable are primarily from government agencies. An allowance for expected credit losses ("AECL") is provided based upon management's judgment including such factors as prior collection history, type of grant, current aging of grants receivable, and expectations of future cash flows.

Contributions and contributions receivable

Contributions received are reported as net assets with donor restrictions or net assets without donor restrictions, depending upon donor restrictions, if any.

Catholic Charities of the East Bay
Notes to Financial Statements
April 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions and contributions receivable (continued)

Contributions, including unconditional promises to give, are recognized as revenue in the period the promise is received. Conditional promises to give are not recognized until they become unconditional; that is, when the barrier has been overcome and the right of release/right of return no longer exists. Contributions that are promised in one year but are not expected to be collected until after the end of that year are discounted at an appropriate discount rate commensurate with the risks involved which ranged from 0.16% to 2.79% during the year ended April 30, 2024. Amortization of any such discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for doubtful contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution and current aging of contributions receivable.

Investments

Investments are stated at fair value. Investments in stocks which are listed on national securities exchanges, quoted on NASDAQ, or on the over-the-counter market are valued at the last reported sale price, or in the absence of a recorded sale, at a value between the most recent bid and asked prices. Investments in mutual funds and fixed annuities are valued at the net asset value of shares held by Catholic Charities at year-end. Any change in the carrying amount of investments held is included in the statement of activities as unrealized gain or loss. All investment income, gains and losses are reported as net assets without donor restrictions unless their use is restricted by explicit donor restriction or by law.

Investment transactions are recorded on trade date. Realized gains and losses on sales of investments are determined on the specific identification basis. Unrealized gains or losses on investments resulting from gain value fluctuations are recorded in the statement of activities net of investment expenses.

Fair value measurements

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. Catholic Charities determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value (Level 1, Level 2 and Level 3).

This hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three levels:

- *Level 1* - Quoted market prices are available in active market for identical assets or liabilities as of the reporting date.

Catholic Charities of the East Bay
Notes to Financial Statements
April 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

- *Level 2* - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.
- *Level 3* - Pricing inputs are observable and shall be used to measure fair value to the extent that observable inputs are not available. The inputs into the determination of fair value are based upon the best information available and require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The following methods and assumptions were used to estimate the fair value of assets and liabilities:

- Investments (Level 1). Investments in equity and debt securities are valued at their fair values as determined primarily by quoted market prices.

Property and equipment

Catholic Charities capitalizes all property and equipment with a cost greater than \$2,500 with an estimated useful life in excess of one year. Property and equipment is carried at cost or, if donated, at the estimated fair value on the date of the contribution. Minor repairs and maintenance are charged against earnings as incurred. Major repairs and maintenance that extend the useful life of the respective asset are capitalized. Whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recovered, Catholic Charities, using its best estimates and projections, reviews the carrying value of long-lived identifiable assets to be held and used in the future for impairment. Catholic Charities will record impairment losses when determined.

Depreciation and amortization of property and equipment is computed using the straight-line method over the following estimated useful lives:

Buildings	10 - 30 years
Automobiles	3 - 5 years
Furniture and fixtures	3 - 7 years

Catholic Charities of the East Bay
Notes to Financial Statements
April 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Leases that are entered into are reported as an increase to right-to-use assets and lease liabilities (other than leases that meet the definition of a short-term lease). Catholic Charities assess all new agreements for (a) whether the contract contains a lease, (b) whether the classification should be financing lease or operating lease, or (c) any amount of initial direct costs as these items impact the treatment for leases under ASC 842, *Leases*.

Revenue recognition

Revenues or support are reported as increases in net assets without donor restrictions unless subject to donor-imposed restrictions. If revenue is subject to donor restrictions, it is included in net assets with donor restrictions and, once restrictions are met, is released from restrictions and recorded as revenue released to net assets without donor restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless restricted by explicit donor stipulation by the law.

- *Government grants* - Catholic Charities recognizes revenue from grants for programmatic purposes when the promise to give is deemed unconditional. Conditional promises to give are recognized only when the barrier has been overcome and the right of release/right of return no longer exists.
- *Private grants* - Private grants are recognized when the grantor makes a promise to give to Catholic Charities that is, in substance, unconditional. Conditional promises to give are recognized only when the barrier has been overcome and the right of release/right of return no longer exists.
- *Program services revenue* - Program service revenue consists primarily of fees for housing, counseling, and immigration services and are recognized as services are performed.
- *Bequests* - Bequests are recognized as income at the time an assailable right to the gift has been established and the proceeds are measurable in the amount. The Board has designated that funds received by bequest shall not be used for current operations, but be transferred in the investment fund for long-term use.

Catholic Charities of the East Bay
Notes to Financial Statements
April 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Government grants are generally received under contracts from federal, state, county and city agencies. These contracts are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when Catholic Charities has incurred expenditures in compliance with specific contract or grant provisions. Catholic Charities has elected a simultaneous release option to account for these grants and thus are recorded as revenue without donor restriction upon satisfaction of the barriers. Amounts received prior to incurring qualifying expenditures or performing the required services are reported as a component of deferred revenue. There was \$75,050 deferred revenue recorded as of April 30, 2024. The Organization received cost-reimbursable grants of approximately \$2,700,000 that have not been recognized at April 30, 2024 because qualifying expenditures have not yet been incurred.

Deferred revenue

Deferred revenue consists of deposits received in the current fiscal year that pertain to services to be performed in the following fiscal year.

Functional expenses

The costs of providing program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Direct identification of specific expenses is Catholic Charities' preferable method of charging expenses to various functions. Catholic Charities has a number of expenses which relate to more than one program or supporting activity, or to a combination of programs and supporting activities. Expenses, such as payroll and benefits, have been allocated among program services and supporting services based upon the employees' time spent by function. Facility related costs such as depreciation and amortization have been allocated based on square footage. Insurance has been allocated based on estimated percent of payroll by each functional classification.

Concentration of credit risk

Catholic Charities maintains its cash balances with a high quality institution. Periodically, such amounts may exceed Federal Deposit Insurance Corporation ("FDIC") limits. Risks associated with cash are mitigated by banking with creditworthy institutions. Catholic Charities has not experienced any losses in such accounts.

Catholic Charities of the East Bay
Notes to Financial Statements
April 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax status

Catholic Charities of the East Bay is exempt from Federal income and California franchise taxes under provisions of Section 501(c)(3) of the Internal Revenue Code and Section 27301d of the California Revenue and Taxation Code. As such, there is no provision for income taxes.

Catholic Charities has evaluated its current tax positions and has concluded that as of April 30, 2024, Catholic Charities does not have any significant uncertain tax positions for which a reserve would be necessary.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Summarized comparative financial information

The financial statements include certain prior-year summarized comparative information in total but not by net asset classification. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with Catholic Charities' financial statements for the year ended April 30, 2024, from which the summarized information was derived.

3. CONTRIBUTIONS RECEIVABLE, NET

Unconditional promises to give, which are not expected to be collected until after the year promised, are reflected in the accompanying financial statements as contributions receivable and revenue in the appropriate net asset category.

Contributions receivable, net consisted of the following as of April 30, 2024:

Receivable in less than one year	\$ 154,558
Receivable in one to five years	406,956
	<u>561,514</u>
Less discount on long-term pledges	(15,569)
Less allowance for uncollectible contributions receivable	<u>(56,422)</u>
	<u>\$ 489,523</u>

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4. INVESTMENTS

Investments consisted of the following:

Investments in marketable securities	\$ 25,244,294
Endowment investments	<u>2,418,951</u>
	<u>\$ 27,663,245</u>

The following table sets forth by level, within the fair value hierarchy, Catholic Charities of the East Bay's investment assets at fair value as of April 30, 2024:

	Level 1	Level 2	Level 3	Fair Value
Fixed income	\$ 8,359,807	\$ -	\$ -	\$ 8,359,807
Equities	15,298,037	-	-	15,298,037
Alternative stocks	2,628,341	-	-	2,628,341
Structured investments	<u>-</u>	<u>1,377,060</u>	<u>-</u>	<u>1,377,060</u>
	<u>\$ 26,286,185</u>	<u>\$ 1,377,060</u>	<u>\$ -</u>	<u>\$ 27,663,245</u>

5. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following as of April 30, 2024:

Land	\$ 374,224
Buildings	4,016,566
Automobiles	40,634
Furniture and fixtures	<u>503,418</u>
	4,934,842
Accumulated depreciation and amortization	<u>(3,201,643)</u>
	<u>\$ 1,733,199</u>

Depreciation and amortization expense for the year ended April 30, 2024 was \$188,027.

6. FUNDS HELD ON BEHALF OF OTHER ORGANIZATIONS

Catholic Charities acts as a fiscal agent for disbursing the San Francisco Chronicle's Season of Sharing fund in Alameda and Contra Costa Counties and Alameda County's Homeless & Emergency Lodging Program ("HELP"). The Season of Sharing and HELP funds are used primarily for housing assistance to individuals. Alameda County Department of Social Services and Contra Costa County administer the Season of Sharing program, which involves county social services agencies and other community organizations it designates to screen and direct disbursements to eligible individuals. Catholic Charities is one of the designated organizations. The HELP program is administered by the Alameda County Department of Social Services and modeled off of the Season of Sharing program, but is restricted to Alameda County residents.

Catholic Charities of the East Bay
Notes to Financial Statements
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6. FUNDS HELD ON BEHALF OF OTHER ORGANIZATIONS (continued)

As of April 30, 2024, Catholic Charities did not have sufficient cash reserves set aside to fulfill the funds held on behalf of other organizations. During the year-ended April 30, 2024, the board of directors approved borrowing \$1,271,433 from the board designated endowment investments to pay down a portion of the liability. As of April 30, 2024, Catholic Charities had an unreserved balance of \$622,706 due to other organizations.

7. LINE OF CREDIT

During May 2019, Catholic Charities entered into a liquidity access line agreement with a major financial institution. The line has a borrowing limit of \$4,000,000 and bears interest at the 30-day average secured overnight financing rate ("SOFR") for such day plus the interest spread (6.94% at April 30, 2024). Catholic Charities has a balance outstanding of \$2,390,930 at April 30, 2024. The line is collateralized by a portion of Catholic Charities' investment balance and is due on demand (see Note 10).

8. NOTE PAYABLE

In December 2012, Catholic Charities entered into a note payable agreement with a corporation for the purchase of a building in Richmond, California, with the payments being amortized over a 20 year period. During the year ended April 30, 2018, Catholic Charities refinanced the mortgage note. The note bears interest at a fixed rate of 4.68% with principal and interest payments due monthly. The note is secured by a first deed of trust on the property and the remaining unpaid balance with any interest is repayable on June 29, 2037.

The future maturities of the note payable are as follows:

<u>Year ending April 30,</u>		
2025	\$	55,227
2026		57,905
2027		60,713
2028		63,557
2029		66,740
Thereafter		<u>681,017</u>
	<u>\$</u>	<u>985,159</u>

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Notes to Financial Statements
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9. PAYCHECK PROTECTION PROGRAM

On May 3, 2020, Catholic Charities received loan proceeds of \$1,412,115 from a promissory note issued by MUFG Union Bank, N.A., under the Paycheck Protection Program ("PPP") which was established under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act and is administered by the U.S. Small Business Administration. The term on the loan was two years and the annual interest rate was 1.00%. Payments of principal and interest were deferred for the first six months of the loan. On April 7, 2021, Catholic Charities received a second PPP loan, with proceeds of \$1,412,137 from a promissory note issued by Bank of the West. The term on the loan is 66 months, and the annual interest rate is 1.00%. Payments of principal and interest are deferred for the first year of the loan. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loans granted under PPP. Such forgiveness will be determined based on the use of the loan proceeds for payroll costs, rent and utility expenses and the maintenance of workforce and compensation levels with certain limitations. On September 15, 2021, the first PPP loan was forgiven in full. Catholic Charities has not applied for forgiveness of the second PPP loan as of the date of the audit report. Catholic Charities believes that it will likely qualify for forgiveness on the vast majority of the second PPP loan, but there is uncertainty around the standards and operation of the PPP, and no assurance is provided that Catholic Charities will obtain forgiveness in whole or in part.

Catholic Charities recorded the loans as a refundable advance and recognized grant revenue in accordance with guidance for conditional contributions, that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. All conditions for recognition had been met as of April 30, 2022. During the year ended April 30, 2024, Catholic Charities made payments amounting to \$76,442 on the refundable advance. Catholic Charities expects to apply for forgiveness for the amounts recognized into revenue under the second PPP loan within the next fiscal year.

10. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consisted of the following as of April 30, 2024:

Board designated - Board Directed Fund	\$ 567,829
Board designated - Endowment	2,307,516
Board designated - Pledged securities	6,000,000
Board designated - Funds held for other organizations	1,271,433
Board designated - Care for the Elderly	<u>1,123,292</u>
	11,270,070
Operating deficit	<u>(3,625,841)</u>
	<u><u>\$ 7,644,229</u></u>

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11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of April 30, 2024:

Housing Counseling	\$ 98,471
Immigration	148,333
Family/children programming	2,138,153
Federal homelessness advocacy	12,872,711
Rolke Family Foundation Endowment Fund	111,435
Youth: Restorative Justice & Violence Prevention	92,741
Financial assistance	675,023
Family literacy program	106,112
Care for the elderly	823,114
General support	566,929
Mental health: Violence prevention	<u>25,000</u>
	<u>\$ 17,658,022</u>

During the year ended April 30, 2020, Catholic Charities received a contribution in the form of a 60-unit apartment building which Catholic Charities subsequently sold to a 3rd party. The use of the proceeds of the sale and any earnings on the investment of the proceeds of the sale are restricted by the donor for federal homelessness advocacy.

For the year ended April 30, 2024, net assets released from restriction were \$505,027, which were released from time and purpose restrictions.

12. ENDOWMENT

The Catholic Charities' endowment consists of donor-restricted endowment funds and board-designated endowment funds. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

In accordance with Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), Catholic Charities considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

Catholic Charities of the East Bay
Notes to Financial Statements
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12. ENDOWMENT (continued)

Interpretation of relevant law (continued)

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Catholic Charities
- (7) The investment policies of the Catholic Charities

Return objectives and risk parameters

Catholic Charities has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, Catholic Charities diversifies its investments, subject to practicality constraints, among a variety of asset classes so as to provide a balance that will enhance total real return while avoiding undue risk concentration in any single asset class or investment category.

Spending policy

Catholic Charities has established an unrestricted board-designated endowment to set aside and invest bequested assets in perpetuity to provide for the long-term financial stability of Catholic Charities. As part of the annual budget process, the Board of Directors uses their discretion to determine the appropriate utilization of the funds, using 4% of the 3 year fair market value of the endowment as a guide. All earnings of the endowment funds not withdrawn are reinvested.

Endowment composition

Endowment net asset composition by type of fund as of April 30, 2024 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment	\$ 2,307,516	\$ -	\$ 2,307,516
Donor-restricted endowment	<u>-</u>	<u>111,435</u>	<u>111,435</u>
	<u>\$ 2,307,516</u>	<u>\$ 111,435</u>	<u>\$ 2,418,951</u>

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12. ENDOWMENT (continued)

Endowment composition (continued)

Changes in endowment net assets for the fiscal year ended April 30, 2024 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance, April 30, 2023	\$ 4,676,068	\$ 104,297	\$ 4,780,365
Investment return			
Interest and dividends	281,119	-	281,119
Net realized and unrealized gain	<u>424,486</u>	<u>7,138</u>	<u>431,624</u>
Total investment return	705,605	7,138	712,743
Appropriation of endowment assets for expenditure	(1,802,724)	-	(1,802,724)
Transfer out of board-designated endowment	<u>(1,271,433)</u>	<u>-</u>	<u>(1,271,433)</u>
Balance, April 30, 2024	<u>\$ 2,307,516</u>	<u>\$ 111,435</u>	<u>\$ 2,418,951</u>

As discussed in Note 6, Catholic Charities did not have sufficient cash reserves set aside to fulfill the funds held on behalf of other organization. During the year ended April 30, 2024, Catholic Charities reclassified \$1,271,433 of the board-designated endowment to be designated as funds held on behalf of other organizations within investments in marketable securities.

13. RIGHT-OF-USE LEASE ASSET AND LESSEE OBLIGATION

Catholic Charities leases commercial space under an operating lease agreement which was previously scheduled to expire in November 2024 with an option to extend the lease term for an additional 5 years. Subsequent to year-end, Catholic Charities exercised this option and the lease now expires on November 30, 2029. Catholic Charities is obligated to make variable payments ranging from \$10,874 to \$12,984 per month as base rent over the term of the lease.

Lease expense associated with the lease was \$142,938 during the year ended April 30, 2024. Lease expense is included in occupancy expenses in the accompanying statement of functional expenses.

A summary of the remaining lease term and discount rate is as follows:

Weighted-average lease discount rate	1.39%
Weighted-average remaining lease term in years	5.59

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13. RIGHT-OF-USE LEASE ASSET AND LESSEE OBLIGATION (continued)

The scheduled minimum lease payments under the lease terms are as follows:

<u>Year ending April 30,</u>		
2025	\$	138,438
2026		140,168
2027		144,373
2028		148,704
2029		153,165
Thereafter		<u>90,892</u>
		815,740
Less: imputed interest		<u>(32,034)</u>
	\$	<u><u>783,706</u></u>

14. RETIREMENT PLAN

On November 1, 2008, Catholic Charities adopted a 403(b) plan. Employees are eligible to participate. There is no minimum age or service requirements for employees to make salary reduction contributions to the plan. Eligibility for employer base and matching contributions are offered only to employees age 18 and older who have completed 1,000 hours of service within any 12-month period of employment with Catholic Charities or other members of the Catholic Charities USA network and the Roman Catholic Diocese of Oakland. The established base contribution rate is 3% of compensation. Contributions paid to the plan for the year ended April 30, 2024 amounted to \$139,743.

15. CONCENTRATIONS

During the year ended April 30, 2024, grants made by four grantors accounted for approximately 85% of total revenue. During the year ended April 30, 2024, bequests from one individual accounted for 79% of the bequest revenue, grants from one organization accounted for 22% of private grant revenue, and grants from four grantors accounted for 85% of government grant revenue. As of April 30, 2024, amounts from three grantors accounted for approximately 80% of total grants receivable, and two donors accounted for approximately 31% of contributions receivable.

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16. LIQUIDITY AND FUNDS AVAILABLE

As part of Catholic Charities' liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To meet liquidity needs, Catholic Charities has cash and cash equivalents available. Additionally, grants receivable consist primarily of amounts due from third parties that have been historically collected within 60 days of the year-end. Contributions receivable that are considered current will be collected from donors within one year from the date of the statement of financial position and will be available for general expenditures. Additionally, Catholic Charities entered into a purchase agreement subsequent to year-end to sell the property at 217 Harbour Way for \$4,700,000 (see Note 17). Funds from the sale could be made available for general expenditures.

Monthly, the Finance and Investment Committee of the Board of Directors reviews Catholic Charities' statement of financial position and discusses what may be a reasonable cash position to maintain. The Finance and Investment Committee has set 30 days in cash as the minimum for fiscal year 2024, with the expectation that Catholic Charities will continue to build toward a minimum of 60 days in cash.

The following is a quantitative disclosure which describes assets that are available within one year of April 30, 2024 to fund general expenditures and other obligations when they become due:

Financial assets	
Cash and cash equivalents	\$ 92,640
Grants receivable	1,530,171
Contributions receivable, net	<u>98,136</u>
Financial assets available to meet cash needs for general expenditure within one year	 <u>\$ 1,720,947</u>

Catholic Charities has financial assets and cash and cash equivalents available at April 30, 2024 to cover approximately 84 days and 26 days, respectively, of operating expenses based on the fiscal year 2025 daily budgeted run rate for all program and support services expense of approximately \$32,800, excluding depreciation.

It is highly probable that net assets with time and purpose restrictions that are included in cash and cash equivalents at April 30, 2024 will be released and available for general expenditure within one year.

In the event of an unanticipated liquidity need, Catholic Charities may draw upon its \$4,000,000 available operating line of credit. See Note 7 for further description of the line of credit. In addition, the board-designated funds could be made available in its entirety if needed (see Note 10).

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17. SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 12, 2024, which is the date the financial statements were available to be issued. No subsequent events, other than that described below, have occurred that would have a material impact on the presentation of Catholic Charities' financial statements.

Subsequent to year-end, Catholic Charities made payments totaling \$1,271,433 to pay down funds held for others and received board approval to borrow an additional \$516,800 from the board designated endowment investments for the same purpose.

Subsequent to year-end, Catholic Charities entered into a purchase agreement with a buyer to sell the property at 217 Harbour Way totaling \$4,700,000. As part of the sale, the buyer agreed to leaseback the property to Catholic Charities for an initial term of 180 months. Catholic Charities may, without payment of any termination fee or damages, terminate this lease commencing on the thirty-first month of the term with proper notice. The transaction is still in escrow as of November 12, 2024. The purchase agreement qualifies for sale-leaseback accounting during fiscal year 2025 under ASC 842, *Leases*.