

Catholic Charities CYO of the Archdiocese of San Francisco

Consolidated Financial Statements

June 30, 2024

Catholic Charities CYO of the Archdiocese of San Francisco

Table of Contents
June 30, 2024

	<u>Page</u>
Independent Auditors' Report	1
Consolidated Financial Statements	
Consolidated Statement of Financial Position	4
Consolidated Statement of Activities	5
Consolidated Statement of Functional Expenses	6
Consolidated Statement of Cash Flows	7
Notes to Consolidated Financial Statements	8

Independent Auditors' Report

To the Board of Directors
Catholic Charities CYO of the Archdiocese of San Francisco

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Catholic Charities CYO of the Archdiocese of San Francisco and its affiliates (collectively, the Organization), which comprise the consolidated statements of financial position as of June 30, 2024, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2024, 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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization 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 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 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 the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' 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 auditors' 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 the Organization'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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 the Organization's 2023 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 21, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Baker Tilly US, LLP

San Francisco, California
December 11, 2024

Catholic Charities CYO of the Archdiocese of San Francisco

Consolidated Statement of Financial Position
June 30, 2024 (With Comparative Totals for 2023)

	2024	2023
Assets		
Assets		
Cash and cash equivalents	\$ 1,616,896	\$ 1,841,745
Contractually restricted cash and cash equivalents	10,843,143	9,770,966
Investments	12,812,890	11,173,480
Receivables		
Accounts receivable, programs	9,102,476	8,413,562
Contributions receivable	391,708	199,000
Employee Retention Credit (ERC) receivable	1,494,027	3,080,613
Prepaid expenses and other assets	596,665	632,555
Property and equipment, net	16,681,042	16,945,245
Right-of-use assets	4,613,526	2,464,385
Total assets	<u>\$ 58,152,373</u>	<u>\$ 54,521,551</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	1,153,263	1,175,832
Accrued expenses	3,419,151	3,255,419
Deferred revenue	1,578,798	1,577,778
Lease liabilities	4,645,041	2,492,749
Loans payable	5,815,524	5,815,524
Contractual reserves	10,621,222	9,560,961
Conditional asset retirement obligations	816,906	814,890
Total liabilities	28,049,905	24,693,153
Net Assets		
Without donor restrictions		
Undesignated	7,866,114	8,630,137
Board designated	5,338,398	4,937,545
Investment in property and equipment, net	10,048,612	10,314,831
	23,253,124	23,882,513
With donor restrictions	6,849,344	5,945,885
Total net assets	<u>30,102,468</u>	<u>29,828,398</u>
Total liabilities and net assets	<u>\$ 58,152,373</u>	<u>\$ 54,521,551</u>

See notes to consolidated financial statements

Catholic Charities CYO of the Archdiocese of San Francisco

Consolidated Statement of Activities

Year Ended June 30, 2024 (With Summarized Comparative Totals for 2023)

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and Revenue				
Government contracts	\$ 45,249,392	\$ -	\$ 45,249,392	\$ 42,510,968
Program service fees	9,521,997	-	9,521,997	8,578,856
Contributions and foundation grants				
of cash and financial assets	1,131,610	2,762,037	3,893,647	2,290,040
Contributions of nonfinancial assets	459,476	-	459,476	579,442
Bequests	400,854	63,892	464,746	1,558,508
Special events	600,742	191,569	792,311	1,097,175
Rental income	2,004,947	-	2,004,947	2,722,459
Investment return, net	340,022	550,967	890,989	735,212
Other income	255,444	-	255,444	246,483
Debt forgiveness	-	-	-	2,439,213
Net assets released from restrictions	2,665,006	(2,665,006)	-	-
Total support and revenue	62,629,490	903,459	63,532,949	62,758,356
Operating Expenses				
Program services:				
Aging support services	2,629,021	-	2,629,021	2,265,151
Children and youth services	14,512,290	-	14,512,290	12,879,814
Homelessness and housing services	30,382,993	-	30,382,993	30,120,559
Immigration services	1,787,114	-	1,787,114	2,251,692
Transportation and facility rentals	5,447,064	-	5,447,064	5,089,097
Total program services	54,758,482	-	54,758,482	52,606,313
Support services:				
Administration	6,553,303	-	6,553,303	5,950,537
Development	1,947,094	-	1,947,094	2,011,260
Total support services	8,500,397	-	8,500,397	7,961,797
Total expenses	63,258,879	-	63,258,879	60,568,110
Change in net assets	(629,389)	903,459	274,070	2,190,246
Net Assets, Beginning	23,882,513	5,945,885	29,828,398	27,638,152
Net Assets, Ending	\$ 23,253,124	\$ 6,849,344	\$ 30,102,468	\$ 29,828,398

See notes to consolidated financial statements

Catholic Charities CYO of the Archdiocese of San Francisco

Consolidated Statement of Functional Expenses

Year Ended June 30, 2024 (With Summarized Comparative Totals for 2023)

	2024										2023	
	Program Services						Support Services				Total Expenses	Total Expenses
	Aging Support Services	Children and Youth Services	Homelessness and Housing Services	Immigration Services	Transportation and Facility Rentals	Total Program Services	Administration	Development	Total Support Services			
Salaries and related expenses:												
Salaries and wages	\$ 1,335,847	\$ 7,784,302	\$ 7,852,742	\$ 1,224,427	\$ 2,212,380	\$ 20,409,698	\$ 3,438,912	\$ 1,036,577	\$ 4,475,489	\$ 24,885,187	\$ 21,614,480	
Employee benefits and payroll taxes	421,892	2,323,980	2,576,645	334,587	674,453	6,331,557	803,216	281,668	1,084,884	7,416,441	6,334,176	
Total salaries and related expenses	1,757,739	10,108,282	10,429,387	1,559,014	2,886,833	26,741,255	4,242,128	1,318,245	5,560,373	32,301,628	27,948,656	
Financial assistance	447,845	39,970	14,715,292	-	-	15,203,107	-	-	-	15,203,107	16,718,846	
Occupancy costs	221,503	1,160,684	1,842,593	110,854	345,375	3,681,009	211,169	51,747	262,916	3,943,925	3,941,760	
Professional fees and outside contractors	15,756	497,303	666,573	37,882	262,375	1,479,889	1,549,661	295,218	1,844,879	3,324,768	3,364,248	
Transportation costs and travel	43,217	503,117	115,966	1,229	1,298,904	1,962,433	10,826	6,287	17,113	1,979,546	1,886,489	
Depreciation and amortization	4,767	648,432	245,483	7,616	472,681	1,378,979	48,421	-	48,421	1,427,400	1,451,464	
Contractually required reserves	-	-	1,169,603	-	-	1,169,603	-	-	-	1,169,603	1,269,926	
Program food	36,117	560,421	326,913	-	-	923,451	-	-	-	923,451	744,936	
Supplies	41,942	273,835	301,698	7,154	16,403	641,032	37,671	18,284	55,955	696,987	775,022	
Miscellaneous	-	177,502	202,392	5,649	109,818	495,361	144,738	43,055	187,793	683,154	609,620	
Insurance	24,525	195,810	181,942	30,634	27,906	460,817	73,118	12,554	85,672	546,489	846,021	
Telephone and postage	26,109	189,956	153,644	16,165	26,343	412,217	56,971	16,422	73,393	485,610	468,799	
Child related	-	125,304	-	-	-	125,304	-	-	-	125,304	154,654	
Conferences and meetings	8,532	27,243	21,991	10,750	-	68,516	30,078	16,874	46,952	115,468	165,662	
Agency wide emergency/disaster	-	-	-	-	-	-	112,673	-	112,673	112,673	-	
Special events costs	-	880	-	-	-	880	-	97,407	97,407	98,287	-	
Printing and publication	969	1,535	9,516	167	426	12,613	7,517	71,001	78,518	91,131	116,485	
Interest	-	2,016	-	-	-	2,016	28,332	-	28,332	30,348	30,076	
Office relocation	-	-	-	-	-	-	-	-	-	-	75,446	
Total expenses	\$ 2,629,021	\$ 14,512,290	\$ 30,382,993	\$ 1,787,114	\$ 5,447,064	\$ 54,758,482	\$ 6,553,303	\$ 1,947,094	\$ 8,500,397	\$ 63,258,879	\$ 60,568,110	

See notes to consolidated financial statements

Catholic Charities CYO of the Archdiocese of San Francisco

Consolidated Statement of Cash Flows

Year Ended June 30, 2024 (With Comparative Totals for 2023)

	<u>2024</u>	<u>2023</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 274,070	\$ 2,190,246
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,427,400	1,451,464
Change in asset retirement obligation	2,016	1,745
Net unrealized gain on investments	(758,632)	(571,857)
Noncash lease expense	3,151	28,364
Bad debt expense	159,449	68,955
Gain on debt forgiveness	-	(2,439,213)
Gain on disposal of property and equipment	(4,300)	(2,900)
Changes in operating assets and liabilities:		
Receivables	545,515	81,124
Prepaid expenses and other assets	35,890	(275,052)
Accounts payable	(22,569)	390,328
Accrued expenses	163,732	21,218
Deferred revenue	1,020	(1,484,954)
Contractual reserves	1,060,261	1,023,213
Net cash provided by operating activities	<u>2,887,003</u>	<u>482,681</u>
Cash Flows From Investing Activities		
Proceeds from sales and maturities of investments	47,980	5,487,421
Purchases of investments	(928,758)	(4,231,693)
Purchases of property and equipment	<u>(1,158,897)</u>	<u>(2,287,410)</u>
Net cash used in investing activities	<u>(2,039,675)</u>	<u>(1,031,682)</u>
Net change in cash, cash equivalents and restricted cash	847,328	(549,001)
Cash, Cash Equivalents, and Restricted Cash and Cash Equivalents, Beginning	<u>11,612,711</u>	<u>12,161,712</u>
Cash, Cash Equivalents, and Restricted Cash and Cash Equivalents, Ending	<u>\$ 12,460,039</u>	<u>\$ 11,612,711</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	<u>\$ 28,332</u>	<u>\$ 28,332</u>
Reconciliation of totals in the consolidated statement of cash flows to related captions in the consolidated statement of financial position:		
Cash and cash equivalents	\$ 1,616,896	\$ 1,841,745
Contractually restricted cash and cash equivalents	<u>10,843,143</u>	<u>9,770,966</u>
	<u>\$ 12,460,039</u>	<u>\$ 11,612,711</u>

See notes to consolidated financial statements

Catholic Charities CYO of the Archdiocese of San Francisco

Notes to Consolidated Financial Statements

June 30, 2024

1. Organization

Catholic Charities CYO of the Archdiocese of San Francisco (Catholic Charities CYO) is a non-profit human services and community development organization. Catholic Charities CYO is dedicated to the growth and development of children and families in a safe environment. Its mission is to alleviate human suffering by providing direct services for the poor and disenfranchised, address the root causes of poverty and injustice by assisting people to mobilize their own resources and become self-sufficient, and enhance society's awareness of suffering through advocacy for changing unjust social conditions.

Guided by core values of charity, social justice and respect for human dignity, Catholic Charities CYO reaches out to children, families, and individuals in San Francisco, San Mateo, and Marin counties, and offers over 30 programs located throughout the Archdiocese. An important dimension of the programs is concerted outreach to "at risk" youth, families and communities. Catholic Charities CYO views their employees and those they serve as strategic partners in these efforts.

The consolidated financial statements include the accounts of Catholic Charities CYO, 899 Guerrero Street Inc., and 1340 Golden Gate Associates, L.P. (collectively, the Organization). Catholic Charities CYO has a controlling interest and economic interest in 899 Guerrero Street, Inc. 1340 Golden Gate Associates, L.P. is owned by Catholic Charities CYO as a limited partner holding a 99% interest and 899 Guerrero Street, Inc. as a general partner holding a 1% interest.

The Organization currently has five categories of programs:

Aging Support Services - these programs help seniors maintain their independence and dignity while making valuable connections through companionship and friendship. The programs promote economical, comprehensive, alternative solutions to residential facilities or in-home care while providing respite to caregivers.

Children and Youth Services - these programs provide the opportunity for children to learn, play and grow in healthy, safe environments to better prepare them for their future. From early childhood development care and after-school programs, to organized athletics and summer camps, youth of all ages are encouraged to thrive. Residential-based services also help children and youth heal and grow into healthy adults.

Homelessness and Housing Services - these programs provide residential care facilities, distribution of housing subsidies and wrap-around case management to vulnerable people and provide them with freedom to focus on restoring stability and hope in other areas of their lives.

Center for Immigration Legal and Support Services - these programs assist clients in achieving legal status and economic self-sufficiency, as well as becoming fully active participants in the social and civic life of our communities.

Transportation and Facility Rentals - transportation provides school bus services to a variety of schools and youth-serving organizations. Facility rentals includes the rental of a portion of the facilities to other not-for-profit organizations.

2. Summary of Significant Accounting Policies

A summary of significant accounting policies is as follows:

Basis of Presentation

The accompanying consolidated financial statements (collectively, the financial statements) have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). All intercompany transactions have been eliminated upon consolidation.

Catholic Charities CYO of the Archdiocese of San Francisco

Notes to Consolidated Financial Statements

June 30, 2024

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Catholic Charities CYO of the Archdiocese of San Francisco, 899 Guerrero Street, Inc., and 1340 Golden Gate Associates. All significant intercompany balances and transactions have been eliminated.

Net Assets

The net assets of the Organization are reported in groups as follows:

Without Donor Restrictions

Net assets that are not subject to donor-imposed stipulations. The Organization has created a board designated fund, the Legacy Circle Fund, to govern the use of bequests received without donor restrictions. Investment in property and equipment is net of related debt obligations.

With Donor Restrictions

Those net assets that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when events specified by the donor are met.

Cash, Cash Equivalents, and Restricted Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid instruments with original maturities of three months or less. Contractually restricted cash and cash equivalents represents amounts that are required to be maintained at specified levels in separate cash accounts. These requirements are stipulated in certain loan agreements.

Allowance for Credit Losses

Contributions Receivables

Contributions receivables represent the balance of pledges and commitments from donors that have not yet been received. Contributions receivables are recorded at net realizable value, net of allowance for credit losses. Contributions receivable that are expected to be received in future years are discounted to the anticipated present value of future cash flows using a risk-free discounted rate of return. The Organization provides an allowance for contributions receivables based on management's evaluation of the current aging of the accounts. There were no allowance on contributions receivables at June 30, 2024.

Accounts Receivable, Programs

Program receivables represent amounts billed and accrued but not yet collected for services. Program receivables are presented on the accompanying consolidated statement of financial position net of allowance for credit losses to present the net amount expected to be collected as of the consolidated statement of financial position date. The allowance is based on the credit losses expected to arise over the life of the asset which includes consideration of past events and historical loss experience, current events and also future events based on Management's expectation as of the consolidated statement of financial position date. Receivables are written off when the Organization determines that such receivables are deemed uncollectible. The Organization pools its receivables based on similar risk characteristics in estimating its expected credit losses. In situations where a receivable does not share the same risk characteristics with other receivables, the Organization measures those receivables individually. The Organization also continuously evaluates such pooling decisions and adjusts as needed from period to period as risk characteristics change.

The Organization utilizes the aging method in determining its lifetime expected credit losses on its accounts receivable. This method is used for calculating an estimate of losses based primarily on the Organization's historical loss experience. In determining its loss rates, the Organization evaluates information related to its historical losses, adjusted for current conditions and further adjusted for the period of time that can be reasonably forecasted. Qualitative and quantitative adjustments related to current conditions and the reasonable and supportable forecast period consider the following: past due receivables, customer creditworthiness, and changes in the terms of receivables. For receivables that are not expected to be collected within the normal business cycle, the Organization considers the current and forecasted direction of the economic and business environment.

Investments

Investments are stated at fair value based on quoted market prices. Gains and losses that result from market fluctuations are recorded in the period in which such fluctuation occurs. Gains and losses that result from the sale or maturity of investments are recorded in the period in which the sale or maturity occurs. Dividend and interest income is recorded when earned, net of investment management fees. Donated securities are initially reported at fair value at the date of donation.

Fair Value Measurements

The Organization considers the use of market-based information over entity specific information in valuing its assets and liabilities valued at fair value, using a three-level hierarchy for fair value measurements, based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

The three-level hierarchy for fair value measurements is defined as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 - Observable inputs, other than quoted prices included within Level 1, for the asset or liability, either directly or indirectly through corroboration with observable market data (market-corroborated inputs).

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Property and Equipment

Land, buildings and equipment with an original purchase price in excess of \$5,000 are carried at cost or at fair value as of the date of donation. Depreciation and amortization are provided on the straight-line method over the estimated useful lives of the assets. Maintenance, repairs and renewals which neither materially add to the value of the property or equipment nor appreciably prolong its life are charged to expense as incurred. Leasehold improvements are amortized over the shorter of the useful life of the improvements or the life of the lease.

Costs incurred to develop or purchase computer software for internal use and websites are capitalized and amortized over the estimated useful life of the software. Costs related to design or maintenance of internal use software and website development are expensed as incurred.

The Organization reviews property and equipment for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable. If there are events or circumstances that indicate that impairment might exist the Organization measures recoverability of these assets by comparing the amounts to the future undiscounted cash flows that the assets or the asset group are expected to generate. If the carrying value of the assets or asset group is not recoverable, the impairment recognized is measured as the amount by which the carrying value exceeds its fair value. There were no impairments for the period presented.

Lease Right-of-Use Assets and Lease Liabilities

At lease inception, leases are classified as either finance or operating leases with associated right-of-use asset and lease liability measured at the net present value of future lease payments. Operating lease are expensed on a straight-line basis as lease expenses over the noncancelable lease term.

The Organization has made the following accounting policy elections with regard to its lease accounting:

- The Organization has elected the policy not to separate lease and nonlease components for their office and vehicle leases;
- When the rate implicit in the lease is not determinable, rather than use the Organization's incremental borrowing rate, the Organization elected to use a risk-free discount rate for the initial and subsequent measurement of lease liabilities for their office and vehicle leases;
- The Organization elected not to apply the recognition requirements to their office and vehicle leases with an original term of 12 months or less, for which the Organization is not likely to exercise a renewal option or purchase the asset at the end of the lease; rather, short-term leases will continue to be recorded on a straight-line basis over the lease term;

Split-Interest Agreements

The Organization has entered into a variety of split-interest charitable agreements as follows:

Pooled Income Fund

The Organization's pooled income fund is divided into units and contributions of its donors are pooled and invested as a group. Donors are assigned a specific number of units based on the proportion of the fair value of their contributions to the total fair value of the pooled income fund on the date of the donor's entry into the fund. Until the donor's death, the donor, or the donor's designated beneficiary, is paid the actual income earned on the donor's assigned units. The estimated liability, based on donor life expectancy under pooled income agreements, is reflected as long-term deferred revenue. This liability is estimated at fair market value using a discount rate of 4.58% or 4.61% based upon the estimated life of each donor. Upon the donor's death, the value of the assigned units reverts to the Organization for its unrestricted use.

Charitable Gift Annuities

Charitable gift annuities represent the remainder beneficiary interest of various charitable gift annuities which are held by an independent trustee. These agreements provide for annual annuity payments to donors ranging from approximately 6.3% to 8.3%. The Organization recognizes its beneficial interest in these assets at the time the donations are made and re-measures the present value of future distributions to be received upon maturity of the charitable gift annuity each reporting period.

Revenue Recognition**Program Service Fees**

Revenue recognition for program service fees is evaluated through the following five steps: (i) identification of the contract or contracts with a customer; (ii) identification of the performance obligations in the contract; (iii) determination of the transaction price; (iv) allocation of the transaction price in the contract; and (v) recognition of revenue when or as a performance obligation is satisfied.

The performance obligation related to program service contracts is to provide services related to camps, athletics, immigration services, childcare, and transportation. The Organization recognizes program service fee revenue over time in the period that the services are rendered. Payment terms are typically within 30 days from when the service is rendered.

Contributions and Grants

Unconditional contributions and grants are recorded as increases to net assets with donor restrictions or net assets without donor restrictions depending on the existence and nature of any donor restrictions in the period that the contribution or grant was promised by the donor. Unconditional contributions and grants that are not restricted by the donor are reported as an increase in net assets without restrictions. Unconditional contributions and grants with donor restrictions are reported as an increase in net assets with donor restrictions. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions.

Catholic Charities CYO of the Archdiocese of San Francisco

Notes to Consolidated Financial Statements

June 30, 2024

The Organization recognizes conditional contributions and grants in the period that the conditions have been fulfilled. Conditional contributions and grants with donor restrictions are recorded as increases in net assets without donor restrictions when the conditions and restrictions are met simultaneously. The Organization records the balance of conditional contributions and grants collected for which the underlying conditions have not been met as a liability on its consolidated statement of financial position until the related revenue is recognized. At June 30, 2024, conditional contributions and grants for which funds have been received but the conditions have not been met was \$881,326 and is included in deferred revenue on the consolidated statement of financial position. At June 30, 2024, conditional contributions and grants for which the conditions have not been met and funds have not been received was \$4,638,041 and are not recorded on these financial statements.

Contributed Nonfinancial Assets

During the year ended June 30, 2024, the Organization received donated goods of \$459,476 which was recorded as contributions of nonfinancial assets on the consolidated statement of activities. Pro bono services recognized consist of professional services from attorneys advising immigration clients on legal services. Donated goods recognized consist of clothing, food, equipment, and supplies. Contributed nonfinancial assets were utilized during the year and did not have any donor-imposed restrictions. Pro bono legal services are valued and reported at estimated fair value based on current rates for legal services. Donated goods are valued and reported at estimated fair value based on valuations provided by third parties.

Government Contracts

Government contract revenue is recognized in accordance with the terms of the contract, which is generally when the related expenditures are incurred, in line with policy for contributions and grants revenue.

Bequests

Bequests are recognized on an accrual basis when they are irrevocable, unconditional and measurable and when there is sufficient evidence available to determine that the revenue is probable and estimable. At that time, the Organization recognizes the bequest at fair value, net of a discount for likely fees and taxes, based on historical experience.

Rental Income

The Organization has entered into several operating lease agreements with lessees which contain provisions for future rent increases. Rental income is recognized over the lease term using the straight-line method.

Deferred Revenue

Funds received related to program service fees and conditional contributions and grants are recorded as deferred revenue until the related revenue is recognized. Estimated liabilities under pooled income funds are also recorded as deferred revenue.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and California Revenue and Taxation Code Section 23701d. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Catholic Charities CYO of the Archdiocese of San Francisco

Notes to Consolidated Financial Statements

June 30, 2024

Each year, management considers whether any material tax position the Organization has taken is more likely than not to be sustained upon examination by the applicable tax authority. Management believes that any positions the Organization has taken are supported by substantial authority and, hence, do not need to be measured or disclosed in these financial statements.

Functional Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Expenses are allocated to program and supporting services based on the purpose of each expense and services provided for each function. Accordingly, certain costs have been allocated to program and supporting services based on employee time estimates or other appropriate usage factors.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Comparative Information

The financial information for the year ended June 30, 2023 has been presented for comparative purposes only and is not intended to be a complete presentation in accordance with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2023 from which the summarized information was obtained.

Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure through December 11, 2024, which represents the date the financial statements were available to be issued.

3. Newly Adopted Accounting Pronouncement

In June 2016, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326)*. Topic 326 introduces a new credit loss methodology, Current Expected Credit Losses (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. Since its original issuance in 2016, FASB has issued several updates to the original ASU. The CECL methodology utilizes a lifetime “expected credit loss” measurement objective for the recognition of credit losses at the time the financial asset is originated or acquired. The methodology replaces the multiple existing impairment methods in current GAAP, which generally require that a loss be incurred before it is recognized. On July 1, 2023, the Organization adopted ASU No. 2016-13 using the modified-retrospective approach. There was no adjustment to net assets upon adoption.

Catholic Charities CYO of the Archdiocese of San Francisco

Notes to Consolidated Financial Statements

June 30, 2024

4. Investments and Split-Interest Agreements/Fair Value Measurements

Investments in marketable securities, at fair value, and the value of split-interest agreements at June 30, 2024 were as follows:

Investments	\$ 6,573,499
Investment pool, Christian Brothers Investment Services	5,800,325
Pooled income fund, mutual funds	<u>439,066</u>
Total	<u>\$ 12,812,890</u>

The following table sets forth, by level, the fair value hierarchy of the Organization's assets at fair value as of June 30, 2024:

	Level 1	Level 2	Level 3	Total
Investments:				
Index funds	\$ -	\$ 5,777,434	\$ -	\$ 5,777,434
U.S. Treasury bonds	-	5,230,103	-	5,230,103
Cash and cash equivalents	1,372,720	-	-	1,372,720
ETFs	<u>432,633</u>	<u>-</u>	<u>-</u>	<u>432,633</u>
Total assets in the fair value hierarchy	<u>\$ 1,805,353</u>	<u>\$ 11,007,537</u>	<u>\$ -</u>	<u>\$ 12,812,890</u>

5. Employee Retention Credit

The Employee Retention Credit (ERC), which was included as part of the CARES Act, is a fully refundable tax credit that is allowed against the employer's share of employment taxes for qualified wages. Credits in excess of the tax amounts paid by an employer are treated as overpayments and are also refunded to the employer.

During the year ended June 30, 2024, the Organization received \$1,586,586 in ERC payments. At June 30, 2024, the remaining ERC receivable of \$1,494,027 is included in receivables on the consolidated statement of financial position. The Organization believes that recovery of the remaining ERC receivable is still probable.

Catholic Charities CYO of the Archdiocese of San Francisco

Notes to Consolidated Financial Statements

June 30, 2024

6. Property and Equipment

Property and equipment, net of accumulated depreciation and amortization, consisted of the following at June 30, 2024:

Buildings	\$ 20,245,099
Leasehold improvements	4,203,243
Transportation equipment	6,444,268
Land improvements	3,770,986
Computer equipment, software and website	2,031,254
Land	1,112,598
Equipment and furniture	<u>418,208</u>
	38,225,656
Less accumulated depreciation and amortization	<u>(23,176,536)</u>
	15,049,120
Construction in progress	<u>1,631,922</u>
Total property and equipment, net	<u>\$ 16,681,042</u>

The Organization's asset retirement obligations relate to eventual costs of asbestos and lead paint remediation for some of its buildings. The Organization initially recorded asset retirement obligations of \$1,093,259. The asset retirement obligations are adjusted annually and amounted to \$816,906 at June 30, 2024.

7. Accrued Expenses

Accrued expenses as of June 30, 2024 consisted of the following:

Accrued payroll	\$ 1,166,168
Accrued employee benefits	1,223,147
Other accrued liabilities	<u>1,029,836</u>
Total	<u>\$ 3,419,151</u>

Catholic Charities CYO of the Archdiocese of San Francisco

Notes to Consolidated Financial Statements

June 30, 2024

8. Loans Payable

Loans payable consisted of the following at June 30, 2024:

Loans with the City and County of San Francisco

Catholic Charities CYO's loan (for phase I to rehabilitate 30 rental units for use as affordable housing, whose tenants then participate in the Treasure Island Supportive Housing Program) with the City and County of San Francisco, via the Mayor's Office of Housing, which is collateralized by a deed of trust, requires no monthly payments, bears interest at 0%, matures on September 23, 2049, and will be forgiven except in the case of an event of default, as defined. The loan is secured by the rental revenue stream created from the sublease held by Catholic Charities CYO and the Treasure Island Development Authority. \$ 900,381

Catholic Charities CYO's loan (for phase II to rehabilitate 36 rental units for use as affordable housing, whose tenants then participate in the Treasure Island Supportive Housing program) with the City and County of San Francisco, via the Mayor's Office of Housing, which is collateralized by a deed of trust, requires no monthly payments, bears interest at 0%, matures on March 8, 2050, and will be forgiven except in the case of an event of default, as defined. The loan is secured by the rental revenue stream created from the sublease held by Catholic Charities CYO and the Treasure Island Development Authority. 1,121,753

899 Guerrero Street Inc.'s loan (for the St. Joseph's Family Center programs) with the City of San Francisco, which is collateralized by a deed of trust, requires no monthly payments, bears interest at 10%, matures on February 9, 2040, and will be forgiven except in the case of an event of default, as defined. The loan is secured by real property. 400,000

1340 Golden Gate Associates, L.P.'s loan (for the Peter Claver Community programs) with the City and County of San Francisco which is collateralized by a deed of trust, requires no monthly payments, and bears interest at 9.17%. The loan matures on 2078, and will be forgiven except in the case of an event of default, as defined. The loan is secured by real property. 109,214

1340 Golden Gate Associates, L.P.'s loan (for the Peter Claver Community programs) with the City and County of San Francisco which is collateralized by a deed of trust, requires no monthly payments, bears interest at 7.63%, and matures in 2078, and will be forgiven except in the case of an event of default, as defined. The loan is secured by real property. 450,936

Total loans with the City and County of San Francisco 2,982,284

Loans with the Archdiocese of San Francisco

Catholic Charities CYO's loan with the Archdiocese of San Francisco which is collateralized by a deed of trust, bears interest at 1%, and matures on December 31, 2025. The loan is secured by real property. The loan requires an additional \$400,000 payment at the time Catholic Charities CYO sells the secured property. 2,833,240

Total loans payable \$ 5,815,524

Catholic Charities CYO of the Archdiocese of San Francisco

Notes to Consolidated Financial Statements

June 30, 2024

Certain loans payable to the City and County of San Francisco, totaling \$2,982,284 as of June 30, 2024 included in loans payable will be forgiven in future periods provided certain conditions are met. The forgiveness of these loans will be accounted for as contribution income when the required conditions have been met. These conditions consist principally of Catholic Charities CYO's compliance with the terms and conditions of the loan agreements and include providing notification of changes in certain executive officers, breach of any representations, any material adverse change affecting the continued operation of the project, and any merger, dissolution or liquidation. In addition, the loan agreements provide for acceleration and accrual of interest in the event of any default. The Organization expects these loans to be forgiven upon maturity, and therefore, has not been accruing interest on these loans.

The terms of certain loans also require the establishment of separate cash accounts and reserve liability balances to provide for future contractual expenses totaling \$10,843,143 and \$10,621,222, respectively, at June 30, 2024. Withdrawals from such reserves are limited to amounts related to the project and subject to specific approval by the City and County of San Francisco.

Future maturities of loans payable, excluding forgivable loans, outstanding at June 30, 2024 were as follows:

Years ending June 30:	
2025	\$ -
2026	2,833,240
2027	-
2028	-
2029	-
Thereafter	-
	<hr/>
Total	<u>\$ 2,833,240</u>

9. Leases

During the year ended June 30, 2024, the Organization's lease portfolio consists of the following operating leases:

Facilities

The Organization has multiple lease agreements for office space located in the cities and counties of San Francisco and San Mateo with various commencement dates and various expiration dates through 2031. Individual monthly lease expenses for the year ended June 30, 2024 range from \$740 to \$31,598.

Vehicles

The Organization has multiple lease agreements for vehicles used for the Organization's programs with various commencement dates and various expiration dates through 2027. Monthly lease expense for the year ended June 30, 2024 range from \$602 to \$1,039.

Right-of-use assets represent the Organization's right to use an underlying asset for the lease term, while lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date of a lease based on the net present value of lease payments over the lease term.

Certain of the Organization's leases include options to renew or terminate the lease. The exercise of lease renewal or early termination options is at the Organization's sole discretion. The Organization regularly evaluates the renewal and early termination options and when they are reasonably certain of exercise, the Organization includes such options in the lease term.

Catholic Charities CYO of the Archdiocese of San Francisco

Notes to Consolidated Financial Statements

June 30, 2024

In determining the discount rate used to measure the right-of-use assets and lease liabilities, the Organization uses the rate implicit in the lease, or if not readily available, the Organization uses a risk-free rate based on U.S. Treasury notes or bond rates for a similar term.

Right-of-use assets are assessed for impairment in accordance with the Organization's long-lived asset policy. The Organization assesses lease classification and remeasures right-of-use assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment.

The Organization makes significant assumptions and judgements in evaluating its leases. In particular, the Organization:

- Evaluated whether a contract contains a lease, by considering factors such as whether the Organization obtained substantially all rights to control an identifiable underlying asset and whether the lessor has substantive substitution rights;
- Determined whether contracts contain embedded leases;

The Organization does not have any material leasing transactions with related parties.

For the year ended June 30, 2024, expenses incurred pertaining to leases was as follows:

Operating lease expense	\$ 1,239,908
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The right-of-use assets and lease liabilities were calculated using discount rates that range from 2.79% to 5.49%. As of June 30, 2024, the weighted average remaining lease term was 5.12 years.

As of June 30, 2024, scheduled future minimum lease payments was as follows:

Years ending June 30:	
2025	\$ 1,239,632
2026	1,164,237
2027	512,996
2028	464,082
2029	477,783
Thereafter	<u>1,352,798</u>
Total lease payments	5,211,528
Less present value discount	<u>(566,487)</u>
Total lease liabilities	<u>\$ 4,645,041</u>

The following table includes supplemental cash flow and noncash information related to the leases for the year ended June 30, 2024:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 1,207,381

Catholic Charities CYO of the Archdiocese of San Francisco

Notes to Consolidated Financial Statements

June 30, 2024

10. Net Assets With Donor Restrictions

Net assets with donor restrictions as of June 30, 2024 were restricted for the following:

Subject to purpose restrictions:	
Aging support services	\$ 1,538,148
Children and youth	2,938,239
Homelessness and housing services	68,677
Immigration services	14,220
	<u>4,559,284</u>
Subject to time restrictions:	
Events or time restricted gifts	<u>475,788</u>
Donor-restricted endowments:	
Unappropriated endowment earnings	613,967
Amounts to be maintained in perpetuity	<u>1,200,305</u>
	<u>1,814,272</u>
Total	<u><u>\$ 6,849,344</u></u>

For the year ended June 30, 2024, net assets with donor restrictions were released from donor restrictions by incurring expenses satisfying the purpose specified by donors as follows:

Children and youth	\$ 1,354,422
Homelessness and housing services	657,695
Aging support services	376,934
Immigration services	222,323
Events or time restricted gifts	<u>53,632</u>
Total net assets released from restrictions	<u><u>\$ 2,665,006</u></u>

Little Children's Aid John V. Roche Memorial Fund

Through the generosity of a bequest to Little Children's Aid (LCA) in support of its work for children and youth in San Francisco, the Board of Directors of Catholic Charities CYO has established the Little Children's Aid John V. Roche Memorial Fund (the Fund). The Fund will be used to fund programs for children and youth and invested in accordance with the investment policies of Catholic Charities CYO. Investment earnings will be attributed to the Fund based upon its earnings. On an annual basis, a portion of the investment earnings will be used to support programs for children and youth. At June 30, 2024, net assets restricted for the Fund totaled \$1,023,143.

11. Endowment Funds

The Organization's endowment consists of several different individual funds established for a variety of purposes. All investment income earned on the donor restricted endowment funds is treated as income with donor restrictions until appropriated by the Organization.

The State of California enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective January 1, 2009, the provisions of which apply to endowment funds existing on or established after that date. Net asset classifications of donor-restricted endowment funds subject to an enacted version of UPMIFA have been accounted for appropriately in these financial statements. Additional disclosures about the Organization's endowment funds subject to UPMIFA have been included.

Interpretation of Relevant Law

The Organization's Board has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as held in perpetuity (1) the original value of gifts donated to the donor-restricted endowment, (2) the original value of subsequent gifts donated to the donor-restricted endowment, and (3) additions to the donor-restricted endowment in accordance with donor directions. The remaining portion of the donor-restricted endowment is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

Spending Policy

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the endowment funds;
2. The purposes of the endowment funds;
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 Organization; and
7. The investment policies of the Organization.

Up to 5% of the fair value of the assets held under the donor-restricted endowment is appropriated for spending from the donor restricted endowment fund, and any additional return on the endowment assets is retained to grow the endowment fund.

Investment Policy, Strategies, and Objectives

The Organization has adopted an investment objective of long-term growth and income to preserve the value of the fund for future use. To achieve its distribution objectives, the Organization's investment policy is to substantially invest their endowment in a manner consistent with Church teachings as reflected in the United States Conference of Catholic Bishops investment policies. The investment pool is designed to achieve long-term investment objectives of moderate growth and income requirements with moderate risk. The performance of the investment pool is monitored to ensure prudent investment and spending of the donor endowments under UPMIFA law.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. No deficiencies were noted at June 30, 2024.

Catholic Charities CYO of the Archdiocese of San Francisco

Notes to Consolidated Financial Statements

June 30, 2024

Net changes in endowment funds during the year ended June 30, 2024 were as follows:

	Unappropriated Endowment Earnings	Maintained In Perpetuity	Total
Balance, June 30, 2023	\$ 476,056	\$ 1,200,305	\$ 1,676,361
Net investment income	215,786	-	215,786
Appropriations	(77,875)	-	(77,875)
Balance, June 30, 2024	<u>\$ 613,967</u>	<u>\$ 1,200,305</u>	<u>\$ 1,814,272</u>

At June 30, 2024, unappropriated endowment earnings were restricted to the following purposes:

Children and youth services	\$ 446,827
Homelessness and housing services	96,358
Aging support services	<u>70,782</u>
	<u>\$ 613,967</u>

12. Contingencies

The Organization is a recipient of federal and state awards. These awards are subject to audit and final acceptance by federal and state granting agencies. The amount of expenditures that may be disallowed by the grantors, if any, cannot be determined at this time, although the Organization expects such amounts, if any, to be immaterial.

The Organization is involved from time to time in routine claims related to its operations. Management is of the opinion that such matters would not result in any contingencies that are material to its financial position.

13. Concentrations of Risk

Credit Risk

Financial instruments which are potentially subject to credit risk consist principally of cash and cash equivalents (including contractually restricted cash and cash equivalents) and receivables. Cash and cash equivalents are held in high credit quality financial institutions in the United States of America. At times, cash and cash equivalents balances may exceed the institutions' federally insured limits (currently \$250,000 per depositor). The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Investment Risk

The Organization invests in various types of investments. Investments are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statement of financial position. At times, certain investment balances may exceed the institutions' insured limits. The Organization attempts to limit its credit risk associated with investments through diversification and by utilizing the expertise and processes of outside investment managers.

Catholic Charities CYO of the Archdiocese of San Francisco

Notes to Consolidated Financial Statements

June 30, 2024

Major Funders

Government contract revenue and program receivables consist primarily of amounts from a limited number of federal, state and county agencies. During the year ended June 30, 2024, 79% of government contract revenue were from four agencies. At June 30, 2024, 51% of program receivables was due from three agencies.

During the year ended June 30, 2024, 29% of foundation grants and contributions revenue was from one donor. At June 30, 2024, 79% of contributions receivable was due from three donors.

14. Employee Benefit Plans

The Organization has two defined contribution retirement plans (the Plans) for union and non-union employees. The Organization contributes a percentage of employees' compensation to the Plans. Employees are eligible to participate in the Plans immediately upon hire. The employer matching contributions under the Plans totaled \$576,906 for the year ended June 30, 2024.

15. Liquidity and Availability of Financial Assets

The Organization has a goal to maintain financial assets to meet thirty days of normal operating expenses, which is approximately \$4,000,000 on average. This is in addition to daily operating cash requirements. As part of its liquidity management, the Organization keeps cash in excess of daily requirements in checking accounts at various banking institutions, treasury notes, and other short-term investments.

Financial assets available for general expenditure without donor or other restrictions limiting their use within one year of June 30, 2024 consisted of the following:

Cash and cash equivalents	\$ 1,616,896
Investments	12,812,890
Accounts receivable, programs	9,102,476
Contributions receivable	391,708
ERC receivable	<u>1,494,027</u>
	25,417,997
Less amounts not available to meet general expenditures within one year:	
Board designated net assets	(5,338,398)
Donor restricted net assets	(6,849,344)
Add donor restricted net assets expected to be released within one year	<u>4,197,284</u>
Financial assets available to meet general expenditures within one year	<u>\$ 17,427,539</u>