

Catholic Charities CYO of the Archdiocese of San Francisco

Consolidated Financial Statements

June 30, 2021 with summarized comparative
totals for 2020

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Catholic Charities CYO of the Archdiocese of San Francisco and its affiliates (collectively, the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the "financial statements").

Management's Responsibility 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; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Catholic Charities CYO of the Archdiocese of San Francisco and its affiliates as of June 30, 2021, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter*Report on Summarized Comparative Information*

We have previously audited the Organization's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 18, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BAKER TILLY US, LLP

San Francisco, California
December 9, 2021

CATHOLIC CHARITIES CYO OF THE ARCHDIOCESE OF SAN FRANCISCO
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2021 with Summarized Comparative Totals for 2020

	2021	2020
ASSETS		
Assets		
Cash and cash equivalents	\$ 3,620,412	\$ 4,020,856
Contractually restricted cash and cash equivalents	8,161,567	6,638,823
Investments	15,328,971	13,368,667
Receivables		
Program receivables, net	7,092,048	5,663,764
Contributions receivable	140,700	1,407,759
Employee Retention Credit (ERC) receivable	2,930,000	-
Prepaid expenses and other assets	323,482	387,504
Property and equipment, net	16,460,004	17,330,066
 Total assets	 <u>\$ 54,057,184</u>	 <u>\$ 48,817,439</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 1,023,526	\$ 969,183
Accrued expenses	3,023,812	3,554,223
Deferred revenue and deferred compensation	2,619,163	242,531
Loans payable	8,049,851	7,862,490
Refundable advance	-	1,882,142
Contractual reserves	8,007,169	6,603,376
Conditional asset retirement obligations	811,265	810,005
 Total liabilities	 <u>23,534,786</u>	 <u>21,923,950</u>
Net Assets		
Without donor restrictions		
Undesignated	13,742,334	9,838,753
Board designated	3,487,872	3,112,421
Investment in property and equipment, net	7,598,888	8,657,567
	<u>24,829,094</u>	<u>21,608,741</u>
With donor restrictions	5,693,304	5,284,748
 Total net assets	 <u>30,522,398</u>	 <u>26,893,489</u>
 Total liabilities and net assets	 <u>\$ 54,057,184</u>	 <u>\$ 48,817,439</u>

CATHOLIC CHARITIES CYO OF THE ARCHDIOCESE OF SAN FRANCISCO
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021 with Summarized Comparative Totals for 2020

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Government contracts	\$ 34,446,563	\$ -	\$ 34,446,563	\$ 33,920,985
Program service fees	2,643,091	-	2,643,091	6,820,430
Government grant - PPP	1,882,142	-	1,882,142	4,006,258
Government grant - ERC	2,930,000	-	2,930,000	-
Contributions and foundation grants	1,887,152	2,697,047	4,584,199	5,197,936
Rental income	1,525,253	-	1,525,253	1,451,149
Special events	766,193	71,693	837,886	757,689
Bequests	375,451	421,805	797,256	3,064,378
Investment return, net	781,042	634,700	1,415,742	243,936
Other income	576,716	-	576,716	454,498
Net assets released from restrictions	3,416,689	(3,416,689)	-	-
Total support and revenue	51,230,292	408,556	51,638,848	55,917,259
OPERATING EXPENSES				
Program services:				
Aging support services	1,924,114	-	1,924,114	2,892,329
Children and youth services	12,621,167	-	12,621,167	15,947,672
Homelessness and housing services	21,276,825	-	21,276,825	17,435,443
Refugees and immigrants services	2,042,420	-	2,042,420	1,903,886
Transportation and facility rentals	2,430,023	-	2,430,023	3,736,732
Total program services	40,294,549	-	40,294,549	41,916,062
Support services:				
Administration	6,467,648	-	6,467,648	6,517,638
Development	1,247,742	-	1,247,742	1,612,836
Total support services	7,715,390	-	7,715,390	8,130,474
Total expenses	48,009,939	-	48,009,939	50,046,536
CHANGE IN NET ASSETS	3,220,353	408,556	3,628,909	5,870,723
NET ASSETS - beginning of year	21,608,741	5,284,748	26,893,489	21,022,766
NET ASSETS - end of year	\$ 24,829,094	\$ 5,693,304	\$ 30,522,398	\$ 26,893,489

CATHOLIC CHARITIES CYO OF THE ARCHDIOCESE OF SAN FRANCISCO
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2021 with Summarized Comparative Totals for 2020

	2021										2020
	Program Services						Support Services				
	Aging Support Services	Children and Youth Services	Homelessness and Housing Services	Refugees and Immigrants Services	Transportation and Facility Rentals	Total Program Services	Administration	Development	Total Support Services	Total Expenses	Total Expenses
Salaries and related expenses:											
Salaries and wages	\$ 925,526	\$ 7,329,140	\$ 7,886,188	\$ 1,217,587	\$ 1,007,084	\$ 18,365,525	\$ 3,271,116	\$ 771,514	\$ 4,042,630	\$ 22,408,155	\$ 23,568,094
Employee benefits and payroll taxes	296,339	2,365,756	2,526,848	343,939	422,244	5,955,126	744,939	233,194	978,133	6,933,259	7,285,178
Total salaries and related expenses	1,221,865	9,694,896	10,413,036	1,561,526	1,429,328	24,320,651	4,016,055	1,004,708	5,020,763	29,341,414	30,853,272
Financial assistance	432,173	43,041	5,669,874	22,846	-	6,167,934	-	-	-	6,167,934	5,010,873
Occupancy costs	156,442	865,998	1,823,891	156,034	166,710	3,169,075	406,542	-	406,542	3,575,617	3,557,956
Professional fees and outside contractors	9,711	117,643	479,297	195,500	50,300	852,451	1,538,682	143,789	1,682,471	2,534,922	2,918,027
Depreciation and amortization	13,066	755,870	320,641	7,616	316,835	1,414,028	109,420	-	109,420	1,523,448	1,383,918
Contractually required reserves	-	-	1,249,940	-	-	1,249,940	-	-	-	1,249,940	1,071,833
Program food	5,076	230,703	397,182	-	-	632,961	109	-	109	633,070	877,350
Miscellaneous	50	136,332	73,357	39,976	141,658	391,373	166,215	22,643	188,858	580,231	567,683
Telephone and postage	31,550	230,034	174,788	17,533	17,399	471,304	83,641	7,710	91,351	562,655	594,941
Transportation costs and travel	7,940	184,326	75,694	450	256,338	524,748	3,241	1,840	5,081	529,829	1,299,519
Supplies	29,294	112,077	237,536	17,743	30,331	426,981	16,385	28,580	44,965	471,946	614,532
Interest	-	1,322	276,735	-	-	278,057	426	-	426	278,483	238,098
Insurance	12,540	98,335	64,399	13,898	20,146	209,318	22,489	5,779	28,268	237,586	565,168
Child related	-	128,858	-	-	-	128,858	-	-	-	128,858	128,791
Conferences and meetings	1,213	19,191	17,794	8,998	889	48,085	11,486	3,703	15,189	63,274	122,019
Emergency supplies	-	-	-	-	-	-	50,685	-	50,685	50,685	94,222
Printing and publication	3,194	2,541	2,661	-	89	8,485	5,767	28,990	34,757	43,242	102,106
Office relocation	-	-	-	300	-	300	36,505	-	36,505	36,805	46,228
Total expenses	\$ 1,924,114	\$ 12,621,167	\$ 21,276,825	\$ 2,042,420	\$ 2,430,023	\$ 40,294,549	\$ 6,467,648	\$ 1,247,742	\$ 7,715,390	\$ 48,009,939	\$ 50,046,536

CATHOLIC CHARITIES CYO OF THE ARCHDIOCESE OF SAN FRANCISCO
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2021 with Summarized Comparative Totals for 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,628,909	\$ 5,870,723
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,523,448	1,383,918
Change in asset retirement obligation	1,260	1,259
Contributions restricted in perpetuity	(13,200)	(12,683)
Net unrealized gain on investments	(1,300,581)	(120,713)
Bad debt expense	152,828	156,479
Changes in operating assets and liabilities:		
Receivables	(3,244,053)	(1,199,047)
Prepaid expenses and other assets	64,022	246,193
Accounts payable	54,343	(31,576)
Accrued expenses	(343,050)	304,093
Deferred revenue and deferred compensation	2,376,632	(425,891)
Refundable advance	(1,882,142)	1,882,142
Contractual reserves	1,403,793	984,721
Net cash provided by operating activities	2,422,209	9,039,618
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	1,790,000	5,644,704
Purchases of investments	(2,449,723)	(7,677,728)
Purchases of property and equipment	(653,386)	(3,625,289)
Net cash used in investing activities	(1,313,109)	(5,658,313)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted in perpetuity	13,200	12,683
Net cash provided by financing activities	13,200	12,683
NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS	1,122,300	3,393,988
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AND CASH EQUIVALENTS - beginning of year	10,659,679	7,265,691
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AND CASH EQUIVALENTS - end of year	\$ 11,781,979	\$ 10,659,679

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Reconciliation of totals in the consolidated statement of cash flows to related captions in the consolidated statement of financial position:

Cash and cash equivalents	\$ 3,620,412	\$ 4,020,856
Contractually restricted cash and cash equivalents	8,161,567	6,638,823
	<u>\$ 11,781,979</u>	<u>\$ 10,659,679</u>

CATHOLIC CHARITIES CYO OF THE ARCHDIOCESE OF SAN FRANCISCO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021

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.

Centers for immigration legal 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 our facilities to other not-for-profit organizations.

CATHOLIC CHARITIES CYO OF THE ARCHDIOCESE OF SAN FRANCISCO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021

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.

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.

Receivables

Program receivables represent amounts billed and accrued but not yet collected for services. The Organization provides an allowance for doubtful accounts based on management’s evaluation of the current aging of the accounts. Based on these factors, there is a provision for doubtful accounts of \$202,322 as of June 30, 2021. It is the Organization’s policy to write off uncollectible program receivables when management determines the receivable will not be collected.

CATHOLIC CHARITIES CYO OF THE ARCHDIOCESE OF SAN FRANCISCO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables (continued)

Contributions receivable represent the balance of pledges and commitments from donors that have not yet been received. Contributions receivable are recorded at net realizable value, net of allowance for uncollectible contributions receivable. 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 believes all of its contributions receivable at June 30, 2021 are collectible within one year, therefore there was no allowance for uncollectible contributions receivable or discount.

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.

Contract assets and contract liabilities consist of program receivables and deferred revenue related to program service fees, respectively. At July 1, 2020 and June 30, 2021, the balances of contract assets and contract liabilities are as follows:

	<u>July 1, 2020</u>	<u>June 30, 2021</u>
Program receivables, net	\$ 76,510	\$ 168,809
Deferred revenue	\$ 213,560	\$ 356,726

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, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

Contributions and Grants

The Organization recognizes conditional contributions and grants in the period that the conditions have been fulfilled. 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.

Government contracts

Government contract revenue is recognized in accordance with the terms of the contract which is generally when the related expenditures are incurred.

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.

Investments

Investments are stated at fair value based on quoted market prices. Investments in pooled investment funds are valued using their net asset values. 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.

CATHOLIC CHARITIES CYO OF THE ARCHDIOCESE OF SAN FRANCISCO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

In accordance with the authoritative guidance on fair value measurements and disclosures, as a practical expedient, an entity holding investments in certain entities that calculated net asset value ("NAV") per share or its equivalent for which fair value is not readily determinable is permitted to measure the fair value of such investments on the basis of the NAV or its equivalent without adjustment. Investments measured at fair value using the NAV are not categorized within the fair value hierarchy.

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, which range from 3 to 27.5 years. 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.

CATHOLIC CHARITIES CYO OF THE ARCHDIOCESE OF SAN FRANCISCO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 based upon the estimated life of each participant using a discount rate of 1.98% or 2.00%. 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 of approximately 6.3% to 8.0%. 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.

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.

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.

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.

CATHOLIC CHARITIES CYO OF THE ARCHDIOCESE OF SAN FRANCISCO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, the account balances may exceed the institutions' federally insured limits.

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 statements of financial position.

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, 2021, 39% of government contract revenue were from two agencies. At June 30, 2021, 29% of program receivables were due from two agencies.

Comparative Information

The financial information for the year ended June 30, 2020 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, 2020 from which the summarized information was obtained.

Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure through December 9, 2021, which represents the date the financial statements were available to be issued.

CATHOLIC CHARITIES CYO OF THE ARCHDIOCESE OF SAN FRANCISCO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements

During February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the statement of financial position. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. FASB has issued subsequent standards that deferred the implementation date. Topic 842 (as amended) is effective for annual periods beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early adoption is permitted. The Organization is currently assessing the effect that ASU 2016-02 will have on its financial statements.

3. NEWLY ADOPTED ACCOUNTING PRONOUNCEMENT

The Organization adopted Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers*, effective July 1, 2020, using the modified retrospective method applied to all customer contracts that were not complete at the date of initial application. The core principle of ASC 606 is that an entity should recognize revenue for the transfer of goods or services equal to the amount that it expects to be entitled to receive for those goods or services. Revenue is recognized when control of the promised goods or services is transferred to customers. ASC 606 also requires additional disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments used.

The adoption of ASC 606 did not have a material effect on the Organization's financial position or results of operations and there was no cumulative effect adjustment to the opening balance of net assets as of July 1, 2020 as a result of ASC 606 implementation.

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, 2021 are as follows:

Investments	\$ 9,292,518
Investment pool - Archdiocese of San Francisco	5,512,276
Pooled income fund - mutual funds	<u>524,177</u>
Total	<u>\$ 15,328,971</u>

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4. INVESTMENTS AND SPLIT-INTEREST AGREEMENTS/ FAIR VALUE MEASUREMENTS (continued)

Investment return consists of the following for the year ended June 30, 2021:

Interest and dividend income, net	\$ 115,161
Unrealized gains on investments	<u>1,300,581</u>
Total	<u>\$ 1,415,742</u>

Investments totaling \$5,512,276 are held within the investment pool of the Archdiocese of San Francisco, a related party.

The following table sets forth, by level, the fair value hierarchy of the Organization's assets at fair value as of June 30, 2021:

	Level 1	Level 2	Level 3	Total
Investments				
U.S. Treasury bonds	\$ -	\$ 8,762,392	\$ -	\$ 8,762,392
Cash and cash equivalents	530,126	-	-	530,126
Total assets in fair value heirarchy	<u>\$ 530,126</u>	<u>\$ 8,762,392</u>	<u>\$ -</u>	<u>9,292,518</u>
Investments held at net asset value ⁽¹⁾				
Pooled income fund ⁽²⁾				524,177
Investment pool - Archdiocese of San Francisco ⁽³⁾				<u>5,512,276</u>
				<u>6,036,453</u>
Total investments at fair value				<u>\$ 15,328,971</u>

⁽¹⁾ Investments are measured at fair value using the net asset value per share (or its equivalent), and, therefore, have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statement of financial position.

⁽²⁾ Invests in mutual funds and fixed income securities.

⁽³⁾ Invests in stocks, bonds, mutual funds and hedge funds. The Organization may only make withdrawals at the end of the calendar quarter. At June 30, 2021, there were no unfunded commitments.

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5. PROPERTY AND EQUIPMENT

Property and equipment, net of accumulated depreciation and amortization, consists of the following at June 30, 2021:

Land	\$ 1,077,736
Land improvements	3,533,730
Buildings	14,929,954
Leasehold improvements	6,918,126
Equipment and furniture	339,120
Computer equipment, software and website	1,712,875
Transportation equipment	6,477,883
	<u>34,989,424</u>
Less: accumulated depreciation and amortization	<u>(19,450,079)</u>
	15,539,345
Construction in progress	<u>920,659</u>
Total property and equipment - net	<u>\$ 16,460,004</u>

Depreciation and amortization expense for the year ended June 30, 2021 is \$1,523,448.

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 balance is adjusted annually and is \$811,265 at June 30, 2021.

Net assets without donor restrictions in property and equipment net of related debt and other obligations totals \$7,598,888 as of June 30, 2021.

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6. LOANS PAYABLE

Loans payable consists of the following at June 30, 2021:

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 matured on May 10, 2019 and is secured by real property. The Organization is negotiating loan forgiveness terms with the lender.	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 on September 30, 2028. The loan is secured by real property. At June 30, 2021, accrued interest payable on the loan was \$2,234,327.	<u>2,685,263</u>
Total loans with the City and County of San Francisco	<u>5,216,611</u>

CATHOLIC CHARITIES CYO OF THE ARCHDIOCESE OF SAN FRANCISCO
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6. LOANS PAYABLE (continued)

Loan with the Archdiocese of San Francisco, a related party

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 \$ 8,049,851

Certain loans payable to the City and County of San Francisco, totaling \$2,531,348 as of June 30, 2021 included in long-term debt will be forgiven in future periods provided certain conditions are met. The forgiveness of these loans will be accounted for as contribution income as and 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 accrued any 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 \$8,161,567 and \$8,007,169 at June 30, 2021, respectively. 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 long-term debt, excluding forgivable loans, outstanding at June 30, 2021 are as follows:

<u>Year Ending June 30,</u>	
2022	\$ -
2023	-
2024	-
2025	-
2026	2,833,240
Thereafter	<u>2,685,263</u>
	<u>\$ 5,518,503</u>

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7. PAYCHECK PROTECTION PROGRAM

On April 7, 2020, the Organization received loan proceeds in the amount of \$5,888,400 under the Paycheck Protection Program ("PPP") which was established as part of the Coronavirus Aid, Relief and Economic Security ("CARES") Act and is administered through the Small Business Administration ("SBA"). PPP loans are uncollateralized and guaranteed by the SBA and are forgivable after a "covered period" (eight to twenty-four weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible expenses, as defined by the CARES Act.

The Organization accounts for the PPP loan as a conditional grant. As of June 30, 2021, the Organization had expended all of the PPP funds received on qualified expenses and believes that it met all of the conditions attached to the PPP. Therefore, the qualified expenses incurred during the year ended June 30, 2021 totaling \$1,882,142 were recorded as government grant revenue within the consolidated statement of activities for the year ended June 30, 2021. In June 2021, the Organization received legal release from the SBA in the amount of \$5,888,400.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

8. 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.

The Organization accounts for this federal funding as a conditional grant. At June 30, 2021, the Organization has an ERC receivable of approximately \$2,930,000.

CATHOLIC CHARITIES CYO OF THE ARCHDIOCESE OF SAN FRANCISCO
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9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2021 are restricted for the following purpose:

Subject to purpose restrictions:	
Children and youth	\$ 2,422,964
Homelessness and housing services	594,106
Aging support services	536,497
Refugees and immigrants services	72,000
	<u>3,625,567</u>
Subject to time restrictions:	
Events or time restricted gifts	<u>59,024</u>
Donor-restricted endowments:	
Unappropriated endowment earnings	668,163
Amounts to be maintained in perpetuity	<u>1,340,550</u>
	<u>2,008,713</u>
Total net assets with donor restrictions	<u>\$ 5,693,304</u>

For the year ended June 30, 2021, net assets with donor restrictions were released from donor restrictions by incurring expenses satisfying the purpose specified by donors as follows:

Children and youth	\$ 1,508,758
Homelessness and housing services	980,245
Aging support services	364,239
Events or time restricted gifts	322,691
Refugees and immigrants services	188,796
Auxillary services	23,456
Administration	<u>28,504</u>
Total net assets released from restrictions	<u>\$ 3,416,689</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, 2021, net assets restricted for the Fund amounted to \$1,115,151.

CATHOLIC CHARITIES CYO OF THE ARCHDIOCESE OF SAN FRANCISCO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021

10. 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 for the year ended June 30, 2021.

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.

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10. ENDOWMENT FUNDS (continued)

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 assets in a balanced investment pool at the Archdiocese of San Francisco, a related party. 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, 2021.

Net changes in endowment funds during the year ended June 30, 2021 are as follows:

	Unappropriated Endowment Earnings	Maintained in Perpetuity	Total
Balance as of June 30, 2020	\$ 338,398	\$ 1,327,350	\$ 1,665,748
Net investment income	406,959	-	406,959
Contributions	-	13,200	13,200
Appropriations	(77,194)	-	(77,194)
Balance at June 30, 2021	<u>\$ 668,163</u>	<u>\$ 1,340,550</u>	<u>\$ 2,008,713</u>

At June 30, 2021, unappropriated endowment funds are restricted to the following purposes:

Children and youth services	\$ 567,330
Homelessness and housing services	99,268
Aging support services	<u>1,565</u>
	<u>\$ 668,163</u>

CATHOLIC CHARITIES CYO OF THE ARCHDIOCESE OF SAN FRANCISCO
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11. COMMITMENTS AND CONTINGENCIES

Commitments

The Organization leases office and program space and equipment for its operations under various non-cancelable operating leases expiring through May 2026. The aggregate remaining minimum rental payments required under the terms of existing leases as of June 30, 2021 are as follows:

<u>Year Ending June 30,</u>	
2022	\$ 1,164,773
2023	1,220,821
2024	930,809
2025	231,651
2026	<u>135,834</u>
	<u>\$ 3,683,888</u>

Rental expense under these leases amounted to \$1,059,904 for the year ended June 30, 2021.

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.

12. 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 aggregated \$609,736 for the year ended June 30, 2021.

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13. ALAMEDA COUNTY PROGRAMS

The county of Alameda requires contractors who receive funding through the County to identify all County programs in accordance with County audit requirements. The following is a list of programs in which funding was received through the County for the year ended June 30, 2021:

Program Name	Contract Number	Exhibit Number	Contract Period	Contract Amount
Catholic Charities CYO dba St. Vincent's School for Boys	Procurement Contract #20271	N/A	7/1/2020 - 6/30/2021	\$ 266,260

14. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization has a goal to maintain financial assets to meet thirty days of normal operating expense, which is on average \$4,000,000. 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, 2021 consist of the following:

Cash and cash equivalents	\$ 3,620,412
Investments	15,328,971
Program receivables	7,092,048
Contributions receivable	140,700
ERC receivable	2,930,000
	<u>29,112,131</u>

Less amounts not available to meet general expenditures within one year:

Board designated net assets	(3,487,872)
Donor restricted net assets	(5,693,304)
Add: Donor restrictions expected to be released within one year	2,856,548
	<u>(6,324,628)</u>

Financial assets available to meet general expenditures within one year	<u>\$ 22,787,503</u>
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