CATHOLIC CHARITABLE BUREAU OF THE ARCHDIOCESE OF BOSTON, INC. AND AFFILIATES

COMBINED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

CATHOLIC CHARITABLE BUREAU OF THE ARCHDIOCESE OF BOSTON, INC. AND AFFILIATES

Contents
June 30, 2021 and 2020

50 Washington Street
Westborough, MA 01581
508.366.9100
aafcpa.com

Independent Auditor's Report

To the Board of Trustees of
Catholic Charitable Bureau of the Archdiocese of Boston, Inc. and Affiliates:

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of Catholic Charitable Bureau of the Archdiocese of Boston, Inc. and Affiliates (Massachusetts corporations, not for profit), which comprise the combined statements of financial position as of June 30, 2021 and 2020, and the related combined statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of Catholic Charitable Bureau of the Archdiocese of Boston, Inc. and Affiliates as of June 30, 2021 and 2020, and the combined changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying supplementary information shown on pages 31 and 32 is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

AAFCPAs, Inc.

Boston, Massachusetts
November 11, 2021

CATHOLIC CHARITABLE BUREAU OF THE ARCHDIOCESE OF BOSTON, INC. AND AFFILIATES

Combined Statements of Financial Position
June 30, 2021 and 2020

Assets	**2021**	**2020**
Cash and Cash Equivalents	$ 5,049,042	$ 4,457,038
Accounts Receivable, net	3,200,351	2,743,226
Pledges and Bequests Receivable, net	3,668,835	4,913,142
Investments	18,167,943	14,722,887
Beneficial Interests in Perpetual Trusts	6,093,783	4,866,703
Property and Equipment, net	17,564,812	18,504,397
Other Assets	2,066,569	310,593
Total assets	$ 55,811,335	$ 50,517,986
Liabilities and Net Assets		
Liabilities:		
Accounts payable, accrued expenses and other	$ 3,434,272	$ 3,383,698
Split-interest agreement liability	314,397	240,390
Mortgage and notes payable	598,904	4,684,988
Pension benefits liability	44,000	2,970,000
Total liabilities	4,391,573	11,279,076
Net Assets:		
Without donor restrictions:		
Operating:		
Working capital	12,893,102	5,003,042
Pension plan	(44,000)	(2,970,000)
Total operating	12,849,102	2,033,042
Property and equipment	16,925,916	17,745,179
Board designated	566,382	460,966
Total without donor restrictions	30,341,400	20,239,187
With donor restrictions	21,078,362	18,999,723
Total net assets	51,419,762	39,238,910
Total liabilities and net assets	$ 55,811,335	$ 50,517,986

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

CATHOLIC CHARITABLE BUREAU OF THE ARCHDIOCESE OF BOSTON, INC. AND AFFILIATES

Combined Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Support, Revenue and Gains:			
Contributions and fundraising:			
Contributions and fundraising	$ 10,269,980	$ 1,346,831	$ 11,616,811
Contributions from the Roman Catholic Archdiocese of Boston (including in-kind contributions of $390,139)	1,244,234	-	1,244,234
Contributions from United Way organizations	709,678	32,592	742,270
Total contributions and fundraising	12,223,892	1,379,423	13,603,315
Program service fees, contract revenue and grants :			
Contract revenue from governmental and other agencies	19,292,053	-	19,292,053
Program service fees:			
Individuals	2,103,768	-	2,103,768
Medicaid and Medicare	1,006,861	-	1,006,861
Commercial insurance fees	131,275	-	131,275
Grants	2,026,943	3,525	2,030,468
Total program service fees, contract revenue, and grants	24,560,900	3,525	24,564,425
Employee retention tax credit	1,888,530	-	1,888,530
Investment return appropriated for operations	420,096	-	420,096
Investment and miscellaneous income	95,637	-	95,637
Net assets released from time restrictions	1,355,774	(1,355,774)	-
Net assets released from purpose restrictions	1,175,630	(1,175,630)	-
Subtotal	4,935,667	(2,531,404)	2,404,263
Total operating support, revenue and gains	41,720,459	(1,148,456)	40,572,003
Operating Expenses:			
Program services:			
Community social services	18,965,691	-	18,965,691
Childcare services	13,040,386	-	13,040,386
Behavioral health and addiction treatment services	1,191,631	-	1,191,631
Total program services	33,197,708	-	33,197,708
Supporting services:			
Management and general	4,491,978	-	4,491,978
Fundraising	1,729,580	-	1,729,580
Total supporting services	6,221,558	-	6,221,558
Total operating expenses	39,419,266	-	39,419,266
Changes in net assets from operations	2,301,193	(1,148,456)	1,152,737
Non-Operating Revenue (Expenses):			
Forgiveness of debt	4,065,780	-	4,065,780
Investment earnings	1,399,490	2,135,123	3,534,613
Pension related changes other than net periodic pension cost	2,834,868	-	2,834,868
Change in fair value of beneficial interests in perpetual trusts	-	1,227,080	1,227,080
Contributions for long-term purposes - capital	10,870	-	10,870
Reallocation of net assets	(225,000)	-	(225,000)
Investment return appropriated for operations	(284,988)	(135,108)	(420,096)
Endowment contributions	-	-	-
Changes in net assets	10,102,213	2,078,639	12,180,852
Net Assets:			
Beginning of year	20,239,187	18,999,723	39,238,910
End of year	$ 30,341,400	$ 21,078,362	$ 51,419,762

CATHOLIC CHARITABLE BUREAU OF THE ARCHDIOCESE OF BOSTON, INC. AND AFFILIATES

Combined Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Support, Revenue and Gains:			
Contributions and fundraising:			
Contributions and fundraising	$ 8,096,192	$ 1,715,303	$ 9,811,495
Contributions from the Roman Catholic Archdiocese of Boston (including in-kind contributions of $390,139)	2,129,687	2,786,274	4,915,961
Contributions from United Way organizations	924,139	55,460	979,599
Total contributions and fundraising	11,150,018	4,557,037	15,707,055
Program service fees, contract revenue and grants :			
Contract revenue from governmental and other agencies	19,991,148	-	19,991,148
Program service fees:			
Individuals	4,323,732	-	4,323,732
Medicaid and Medicare	968,095	-	968,095
Commercial insurance fees	109,067	-	109,067
Grants	1,146,968	-	1,146,968
Total program service fees, contract revenue, and grants	26,539,010	-	26,539,010
Investment return appropriated for operations	377,916	-	377,916
Investment and miscellaneous income	141,898	-	141,898
Net assets released from time restrictions	1,658,148	(1,658,148)	-
Net assets released from purpose restrictions	712,789	(712,789)	-
Subtotal	2,890,751	(2,370,937)	519,814
Total operating support, revenue and gains	40,579,779	2,186,100	42,765,879
Operating Expenses:			
Program services:			
Community social services	18,622,670	-	18,622,670
Childcare services	14,468,808	-	14,468,808
Behavioral health and addiction treatment services	1,020,636	-	1,020,636
Total program services	34,112,114	-	34,112,114
Supporting services:			
Management and general	4,226,759	-	4,226,759
Fundraising	1,907,770	-	1,907,770
Total supporting services	6,134,529	-	6,134,529
Total operating expenses	40,246,643	-	40,246,643
Changes in net assets from operations	333,136	2,186,100	2,519,236
Non-Operating Revenue (Expenses):			
Investment earnings	243,695	(96,272)	147,423
Pension related changes other than net periodic pension cost	(632,132)	-	(632,132)
Change in fair value of beneficial interests in perpetual trusts	-	(35,577)	(35,577)
Contributions for long-term purposes - capital	165,952	-	165,952
Investment return appropriated for operations	(260,724)	(117,192)	(377,916)
Endowment contributions	-	317,044	317,044
Changes in net assets	(150,073)	2,254,103	2,104,030
Net Assets:			
Beginning of year	20,389,260	16,745,620	37,134,880
End of year	$ 20,239,187	$ 18,999,723	$ 39,238,910

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

CATHOLIC CHARITABLE BUREAU OF THE ARCHDIOCESE OF BOSTON, INC. AND AFFILIATES

Combined Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities:		
Changes in net assets	$ 12,180,852	$ 2,104,030
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	1,253,608	1,218,466
Net change in pension benefits liability	(2,926,000)	541,000
Net realized and unrealized (gain) loss on investments	(2,822,201)	391,249
Bad debt	59,993	112,156
Change in fair value of beneficial interests in perpetual trusts	(1,227,080)	35,577
Forgiveness of debt	(4,065,780)	-
Reallocation of net assets	225,000	-
Discount on pledges and bequests receivable	(16,232)	29,739
Allowance for doubtful accounts - pledges	16,232	(29,739)
Contributions for long-term purposes - capital	(10,870)	(165,952)
Endowment contributions	-	(317,044)
Changes in operating assets and liabilities:		
Accounts receivable	(517,118)	306,706
Pledges and bequests receivable	705,772	(2,352,933)
Other assets	(1,755,976)	(89,111)
Accounts payable, accrued expenses and other	150,592	573,815
Net cash provided by operating activities	1,250,792	2,357,959
Cash Flows from Investing Activities:		
Purchases of investments	(9,246,617)	(4,254,388)
Proceeds from sale of investments	9,236,304	4,176,777
Return of net assets	(225,000)	-
Purchase of property and equipment	(414,041)	(619,004)
Net cash used in investing activities	(649,354)	(696,615)
Cash Flows from Financing Activities:		
Proceeds from contributions for long-term purposes - capital	10,870	165,952
Principal payments on mortgage payable	(20,304)	(19,115)
Payment on note payable - line of credit, net	-	(1,602,781)
Proceeds from note payable	-	4,065,780
Net cash provided by (used in) financing activities	(9,434)	2,609,836
Net Change in Cash and Cash Equivalents	592,004	4,271,180
Cash and Cash Equivalents:		
Beginning of year	4,457,038	185,858
End of year	$ 5,049,042	$ 4,457,038
Supplemental Disclosure of Cash and Non-Cash Investing and Financing Activities:		
Cash paid for interest	$ 29,140	$ 89,712
Property and equipment included in accounts payable	$ 39,992	$ 140,010
Construction in process placed in service	$ 238,462	$ 37,304
Investments held by others - purchases	$ 847,154	$ 642,418

Combined Statement of Functional Expenses
For the Year Ended June 30, 2021
(With Summarized Comparative Totals for the Year Ended June 30, 2020)

	2021								2020
	Program Services				Supporting Services				
	Community Social Services	Child Care Services	Behavioral Health and Addiction Treatment Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
Expenses:									
Personnel and related costs	$ 10,700,830	$ 5,976,640	$ 851,819	$ 17,529,289	$ 3,242,567	$ 995,007	$ 4,237,574	$ 21,766,863	$ 22,134,705
Family child care providers	-	4,905,749	-	4,905,749	-	-	-	4,905,749	5,017,925
In-kind	3,243,640	-	-	3,243,640	20,651	37,500	58,151	3,301,791	2,714,067
Other expenses	775,574	665,081	105,163	1,545,818	368,730	545,421	914,151	2,459,969	3,081,649
Occupancy	1,070,251	500,691	36,008	1,606,950	168,405	15,143	183,548	1,790,498	2,126,986
Professional services	468,828	89,857	137,339	696,024	513,060	110,631	623,691	1,319,715	1,035,184
Depreciation	617,198	413,834	57,947	1,088,979	147,783	16,846	164,629	1,253,608	1,218,466
Client assistance	1,114,832	24,000	-	1,138,832	2,103	-	2,103	1,140,935	915,077
Supplies	417,214	464,534	3,355	885,103	28,679	9,032	37,711	922,814	1,029,892
Interpreter fees	557,324	-	-	557,324	-	-	-	557,324	972,692
Total expenses	$ 18,965,691	$ 13,040,386	$ 1,191,631	$ 33,197,708	$ 4,491,978	$ 1,729,580	$ 6,221,558	$ 39,419,266	$ 40,246,643

CATHOLIC CHARITABLE BUREAU OF THE ARCHDIOCESE OF BOSTON, INC. AND AFFILIATES

Combined Statement of Functional Expenses
For the Year Ended June 30, 2020

	Program Services				Supporting Services			
	Community Social Services	**Child Care Services**	**Behavioral Health and Addiction Treatment Services**	**Total Program Services**	**Management and General**	**Fundraising**	**Total Supporting Services**	**Total Expenses**
Expenses:								
Personnel and related costs	$ 10,605,353	$ 6,818,680	$ 638,430	$ 18,062,463	$ 3,059,936	$ 1,012,306	$ 4,072,242	$ 22,134,705
Family child care providers	-	5,017,925	-	5,017,925	-	-	-	5,017,925
In-kind	2,640,972	5,944	-	2,646,916	20,651	46,500	67,151	2,714,067
Other expenses	882,692	914,806	116,985	1,914,483	440,987	726,179	1,167,166	3,081,649
Occupancy	1,242,612	662,426	42,378	1,947,416	159,288	20,282	179,570	2,126,986
Professional services	258,509	160,851	167,201	586,561	378,751	69,872	448,623	1,035,184
Depreciation	605,786	416,830	50,533	1,073,149	124,107	21,210	145,317	1,218,466
Client assistance	915,077	-	-	915,077	-	-	-	915,077
Supplies	498,977	471,346	5,109	975,432	43,039	11,421	54,460	1,029,892
Interpreter fees	972,692	-	-	972,692	-	-	-	972,692
Total expenses	$ 18,622,670	$ 14,468,808	$ 1,020,636	$ 34,112,114	$ 4,226,759	$ 1,907,770	$ 6,134,529	$ 40,246,643

1. OPERATIONS AND NONPROFIT STATUS

Operations

The Catholic Charitable Bureau of the Archdiocese of Boston, Inc. and Affiliates (collectively, the Organization) is an affiliate of Catholic Social Services, Inc. (CSS), its sole corporate member. CSS is a not-for-profit corporation under the auspices of the Roman Catholic Archdiocese of Boston (RCAB). The following is a summary of entities which are included in the Organization's combined financial statements:

Catholic Charitable Bureau of the Archdiocese of Boston, Inc. (the Agency), a Massachusetts not-for-profit corporation under the auspices of the RCAB, provides emergency response and basic needs, family and youth services, refugee and immigrant services and workforce development programs.

West Broadway Community Development Corporation, Inc. (WBCDC) is a not-for-profit corporation that was organized during fiscal year 2001 for the purpose of owning real estate for the Organization's Shaughnessy Family Center at Laboure. WBCDC commenced operations in October 2002.

Columbia Road Community Development Corporation, Inc. (CRCDC) is a not-for-profit corporation that was organized during fiscal year 2005 for the purpose of owning real estate for the Organization's Yawkey Center. CRCDC commenced operations in July 2004.

The Organization has historically relied on financial support from donors and related parties (see Note 10). The accompanying combined financial statements have been prepared assuming such support will continue in the future (see Note 15).

Nonprofit Status

The Agency is listed within *The Official Catholic Directory*. As such, the Agency derives its Internal Revenue Code (IRC) Section 501(c)(3) tax-exempt status from the group tax-exemption of the Roman Catholic Church. WBCDC and CRCDC are controlled affiliates of the Agency and have previously been determined by the Internal Revenue Service (IRS) to be organizations described in IRC Section 501(c)(2) and, therefore, are exempt from taxation under IRC Section 501(a). WBCDC and CRCDC are not private foundations due to their recognition by the IRS as organizations described in IRC Section 501(c)(2). Although the Agency is exempt from income taxes, certain rental income are considered unrelated business income and are subject to taxes under the IRC and Massachusetts General Law at applicable corporate rates. Unrelated business income for these activities for the years ended June 30, 2021 and 2020, was nominal.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Organization prepares its combined financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Principles of Combination

The combined financial statements include the accounts of the Agency and its controlled affiliates. Significant intercompany accounts and transactions among the combined organizations have been eliminated in preparing the combined financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Combined Statements of Activities and Changes in Net Assets

The combined statements of activities and changes in net assets present operating revenues and expenses from program activities as changes in net assets from operations. Forgiveness of debt (see Note 6), endowment contributions, all investment returns in excess of the earnings used for operations under the spending policy, amounts recorded in connection with the defined benefit pension plan (see Note 7), changes in the fair value of beneficial interests in perpetual trusts, contributions for long term purposes - capital, and reallocation of net assets are included as non-operating revenue (expenses) in the accompanying combined statements of activities and changes in net assets.

Use of Estimates

The preparation of combined financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net Asset Classifications

Net Assets Without Donor Restrictions

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by the Organization. The Organization has grouped its net assets without donor restrictions into the following categories:

Operating - working capital net assets - represent funds available to carry on the operations of the Organization which bear no external restrictions.

Operating - pension plan net assets - represent pension plan activity in accordance with ASC Topic, *Compensation - Retirement Benefits* (see Note 7).

Property and equipment net assets - reflect and account for the activities relating to the Organization’s property and equipment, net of related debt.

Board designated net assets - represent amounts set aside by the Board of Trustees that may only be used with the approval of the Board of Trustees. Board designated net assets are restricted for future capital expenditures.

Net Assets With Donor Restrictions

Net assets with donor restrictions are those net assets whose use by the Organization has been limited by donors for a specific period or purpose. There are certain net assets with donor restrictions that have been restricted by donors to be maintained by the Organization in perpetuity (see Notes 12 and 13).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

The Organization follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements,* for qualifying assets and liabilities. Fair value is defined as the price that the Organization would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Organization uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Organization. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

Cash and Cash Equivalents

The Organization considers all highly liquid securities purchased with initial maturities of three months or less, other than investments limited as to use, to be cash. Highly liquid securities are considered Level 1 in the fair value hierarchy. Cash and cash equivalents include the unspent portion of Paycheck Protection Program (PPP) loan proceeds as of June 30, 2020 (see Note 6). These amounts were fully spent during fiscal year 2021.

Investments

Investments are recorded in the combined financial statements at fair value. If a security is directly held by the Organization and an active market with quoted prices exists, the market price of an identical security is used to report fair value. Reported fair values of shares in mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year.

A summary of inputs used in valuing the Organization's investments as of June 30, 2021 and 2020, is included in Note 3.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

Investments (Continued)

Investments - Common Investment Fund (CIF) (see Note 3) represent the Organization's unit holdings in the Common Investment Fund, Roman Catholic Archbishop of Boston (the Common Investment Fund), a separate related organization established to provide a common investment pool in which the Organization and other related organizations may participate. The Common Investment Fund invests nearly all of its funds in the RCAB Collective Investment Partnership (the Investment Partnership); the underlying investments of which are primarily equity and fixed-income securities (U.S. Government and agency securities, asset-backed securities and corporate bonds) owned either directly or indirectly through mutual funds and private investment entities.

The fair value of the Investment Partnership's investments in actively traded domestic securities is determined by State Street Corporation. Securities listed on a securities exchange for which market quotations are readily available are valued at the last sales price or official closing price on each business day, or, if there is no such reported sale or official closing price, at the most recent quoted bid price. Securities which are primarily traded on foreign exchanges are generally valued at the preceding closing values of such securities on their respective exchanges and those values are then translated into U.S. dollars at the current exchange rate. Investments in traded foreign securities are valued by State Street Corporation at the mean between bid and asked prices. For those securities whose prices are not available through independent pricing services, bid price quotations are obtained by State Street Corporation from principal market makers in those securities or at fair value as determined in good faith by management.

Investment holdings of private investment entities that are not actively traded are valued by the managers of these entities at the net asset value per share. In accordance with such guidance, the Investment Partnership has the ability to measure the fair value of an investment in an investee based on the investee's net asset value per share or its equivalent.

Beneficial Interests in Perpetual Trusts

The Organization is a beneficiary of certain trusts that have been established by donors with funds contributed to be held in perpetuity. Under provisions of the trusts, the Organization receives, annually, income on the trusts' assets, as stipulated by the donor, which can be utilized in any way that is consistent with the Organization's mission. Distributions are recorded as investment income included in investment and miscellaneous income without donor restrictions in the accompanying combined statements of activities and changes in net assets. Changes in market value, as determined using Level 1 (fair value of trust assets) and Level 3 (the Organization's beneficial interest percentage) inputs, are recorded as increases or decreases to net assets with donor restrictions in the accompanying combined statements of activities and changes in net assets.

Split-Interest Agreements Liability

The Organization has gift annuities totaling $728,979 and $420,000 at June 30, 2021 and 2020, respectively, that were given to the Organization on the condition that the Organization bind itself to make periodic stipulated payments to the donor. Payments terminate upon death of the respective donor. A liability for split-interest obligations is recorded when the split-interest agreement is established at the estimated net present value of future cash flows using a risk-adjusted discount rate commensurate with the duration of the estimated payments. The present value of the liability was $314,397 and $240,390 as of June 30, 2021 and 2020, respectively. The inputs used to estimate the fair value are considered Level 3 in the fair value hierarchy.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

All Other Assets and Liabilities

The carrying value of all other qualifying assets and liabilities, including notes payable, does not differ materially from its estimated fair value. These qualifying assets and liabilities are considered Level 1 in the fair value hierarchy.

Accounts Receivable and Allowance for Doubtful Accounts

Included in accounts receivable are contract service and individual receivables (see page 16) which are stated as unpaid balances, less an allowance for doubtful accounts. The allowance for doubtful accounts is based on management's best estimate of the amount of probable losses in accounts receivable. The allowance is based on specific identification of probable losses and an estimate of additional losses based on historical write-off experience. Management reviews the allowance for doubtful accounts monthly.

Included in accounts receivable is patient service receivables (see page 15) which are stated at the amount of consideration to which the Organization expects to be entitled in exchange for providing patient care. The Organization records any implicit price concessions based upon management's experience and other circumstances, which may affect the ability of patients or third-party payors to meet their obligations. Receivables are considered impaired if full payment is not received in accordance with the contractual terms. Account receivable balances are charged off against the allowance when it is probable the receivable will not be recovered.

Pledges and Bequests Receivable, Discount on Pledges and Bequests, and Allowance for Doubtful Accounts

Unconditional promises to give that are expected to be collected within one year are recorded at fair value at the date the promise is received and included in pledges and bequests receivable. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows net of an allowance for uncollectable amounts. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received (see Note 5).

Investment Return and Spending Policy

The Organization has approved a formal spending policy in which up to 5% of the average investment portfolio's market value, excluding specific amounts with donor restrictions, using a rolling quarterly average for the preceding three years, ending March 31st, is applied to operations (see Notes 3 and 13).

Investment income from net assets without donor restrictions and investment income from beneficial interests in perpetual trusts are reported as revenue without donor restrictions. Restricted investment income and gains (losses) on investments held in perpetuity are reported as increases (decreases) in net assets with donor restrictions, unless donor-restricted in perpetuity (change in fair value of beneficial interests in perpetual trusts), in which case they are recorded as increases (decreases) in net assets with donor restrictions in perpetual nature. Net gains on net assets with donor restrictions are classified as net assets with donor restrictions until appropriated under the spending policy by the Board of Trustees and expended. Investment interest and gains (losses) on investments of net assets with donor restrictions are reported as increases (decreases) in net assets with donor restrictions. Investment earnings without donor restrictions used for operations in accordance with the spending policy are reflected as operating income and as a decrease in non-operating revenue (expenses).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment Return and Spending Policy (Continued)

Investments, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. As such, it is 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 combined financial statements.

Property and Equipment

Property and equipment are stated at cost. Maintenance, repairs and minor renewals are expensed as incurred, and major renewals and renovations over the Organization's capitalization policy of $2,000 are capitalized. When an asset is retired or disposed of, the related cost and accumulated depreciation or amortization are removed from the accounts and any gain or loss on the disposition is reflected in non-operating revenue (expenses) in the accompanying combined statements of activities and changes in net assets.

Long-lived assets to be held and used are reviewed for impairment whenever circumstances indicate that the carrying amount of an asset may not be recoverable. There were no impairment losses recorded during the years ended June 30, 2021 and 2020. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value, less the anticipated cost to sell.

Depreciation

Depreciation is calculated by use of the straight-line method. Building and improvements, and equipment are depreciated over the useful lives of the assets; leasehold improvements and leased property under capital leases are depreciated over the terms of the leases or the useful lives of the assets, if shorter. Land is not depreciated. Estimated useful lives are as follows:

Buildings and improvements	20 - 40 years
Equipment	3 - 10 years
Vehicles	5 - 7 years
Leasehold improvements	Life of the lease

Expense Allocation

Expenses related directly to a program or function are distributed to that program or function, while other expenses are allocated based upon management's estimate of the percentage attributable to each program or function.

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are personnel and related costs, which are allocated on the basis of estimates of time and effort; occupancy and depreciation, which are allocated on a square footage basis; and supplies and information technology costs, included in other expense, which are allocated based on usage studies conducted annually.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Revenue from Contracts with Customers - Topic 606

The Organization follows ASC Topic 606, *Revenue from Contracts with Customers* (Topic 606) based on the five-step model: (1) Identify the contract with the customer; (2) Identify the performance obligations in the contract; (3) Determine the transaction price; (4) Allocate the transaction price to separate performance obligations; and (5) Recognize revenue when or as each performance obligation is satisfied (see below).

Childcare Fees

Childcare parent fees and private tuition are recognized as services are provided. The performance obligations of delivering childcare services are simultaneously received and consumed by the recipients; therefore, the revenue is recognized over time as childcare services are provided. Childcare parent fees and private tuition are included in program service fees from individuals on the combined statements of activities and changes in net assets.

Certified Nursing Assistant Class Fees

Certified Nursing Assistant (CNA) class fees are derived from the Organization's performance to provide courses in which revenues are recognized over time based on the duration of the course. CNA class fees are included in program service fees from individuals on the combined statements of activities and changes in net assets.

Interpreter Service Fees

Interpreter services fees are recognized as services are provided. The performance obligations of interpretation services are simultaneously received and consumed by the recipients; therefore, the revenue is recognized as services are provided and are included in program service fees from individuals on the combined statements of activities and changes in net assets.

Clinical Services Revenue

Revenue from clinical and counseling services is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing services. These amounts are due from individuals, third-party payors (including health insurers and government payors), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Generally, the Organization bills individuals and third-party payors several days after the services are performed. Revenue is recognized as the Organization satisfies performance obligations under its contracts with clients. Revenue is reported at the estimated transaction price or amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care.

Performance obligations are determined based on the nature of the services provided by the Organization and consists of outpatient behavioral health and other specialty services. Outpatient services are generally provided at a point in time (date of service) and revenue for performance obligations satisfied at a point in time is generally recognized when services are provided to patients and the Organization does not believe it is required to provide additional goods or services related to that date of service.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Revenue from Contracts with Customers - Topic 606 (Continued)

Clinical Services Revenue (Continued)

The Organization determines the transaction price based on standard charges for goods and services provided (fee schedule), reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Organization's sliding fee policy, or implicit price concessions provided to uninsured patients. The Organization determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies and historical experience. The Organization determines its estimate of implicit price concessions based on its historical collection experience within a given class of patients or payors.

The Organization has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected primarily by differences among payors (for example, Medicare, MassHealth or commercial insurances) have different reimbursement payment and adjudication methodologies.

Agreements with third-party payors provide for payments at amounts less than established charges. A summary of the payment arrangements with significant third-party payors for various types of program service fees is as follows:

- **Medicaid (MassHealth) -** Reimbursements for MassHealth services are generally paid at prospectively determined rates per occasion of service, or per covered member. MassHealth accounted for approximately $911,000 and $873,000 (which is 91% and 90% of total program service fees relating to Medicaid and Medicare) for the years ended June 30, 2021 and 2020, respectively.

- **Medicare -** Services are paid based on cost-reimbursement methodologies subject to certain limits. Throughout the year, the Organization is reimbursed based upon prospectively determined rates for services provided. Medicare accounted for approximately $96,000 and $95,000 (which is 9% and 10% of total program service fees relating to Medicaid and Medicare) for the years ended June 30, 2021 and 2020, respectively.

- **Commercial Insurance and Other -** Payment agreements with certain commercial insurance carriers and health maintenance organizations provide for payment using prospectively determined rates and discounts from established charges.

Any provider of third-party services, including the Organization, could be subject to audits by various government sources, MassHealth, Medicare and commercial insurers. There is no reason to believe that any such audit might lead to adjustments to revenue of any material impact.

The Organization has elected the practical expedient allowed under Topic 606 and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the Organization's expectation that the period between the time the service is provided to a patient and the time the patient or a third-party payor pays for that service will be one year or less.

The Organization has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected primarily by differences among payors (for example, MassHealth, Medicare or other commercial insurances) as each has a different reimbursement, payment and adjudication methodology.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Disaggregation of Accounts Receivable

The Organization's accounts receivable are recognized under Topics 606 and Accounting Standards Update (ASU) Subtopic 958-605, *Revenue Recognition* (Topic 958). The following table presents a disaggregation of accounts receivable, by type, as of June 30:

	2021	2020
Contract service receivables - Topic 958	$ 2,738,232	$ 2,430,556
Individual receivables - Topic 606	359,536	128,426
Patient service receivables - Topic 606	260,819	284,244
	3,358,587	2,843,226
Less - allowance for doubtful accounts	158,236	100,000
Total	$ 3,200,351	$ 2,743,226

Disaggregation of Program Service Fees - Individuals

The Organization's program service fee revenue from individuals is considered point in time and over time revenue, under Topic 606. The following table presents a disaggregation of revenue, by type, for the years ended June 30:

	2021	2020
Childcare fees - over time	$ 921,740	$ 2,331,730
Interpreter service fees - point in time	1,050,335	1,721,602
CNA class fees - over time	37,167	155,193
Other - point in time	94,526	115,207
Total	$ 2,103,768	$ 4,323,732

Contributions Received and Contributions Made - Topic 958

Contributions, Contract Revenue and Grants

The Organization's primary sources of revenue are from various Commonwealth of Massachusetts agencies (see Note 11). Amounts received under contracts with various government agencies have been recorded in accordance with Topic 958. These contracts totaled $21,318,996 and $21,138,116 for the years ended June 30, 2021 and 2020, respectively, and are considered nonreciprocal transactions because the general public receives the benefit as a result of the assets transferred. These conditional contributions are recognized as services are provided or as costs are incurred.

Contributions, contract revenue and grants are recorded as revenue when received or unconditionally committed. Contributions with donor restrictions are recorded as net assets with donor restrictions when unconditionally received or pledged. Transfers are made to net assets without donor restrictions as costs are incurred or time restrictions or program restrictions have lapsed. Donor restricted grants received and satisfied in the same period are included in net assets without donor restrictions.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Contributions Received and Contributions Made - Topic 958 (Continued)

Contributions, Contract Revenue and Grants (Continued)

In accordance with Topic 958, the Organization must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists (see Note 9). Indicators of a barrier include a measurable performance-related barrier or another measurable barrier, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the Organization should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met.

A portion of the Organization's revenue is derived from unit-rate and cost-reimbursable Federal and State contracts and grants, which are conditional upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditure in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as conditional grant liabilities in the combined statements of financial position.

Legacies and Bequests

The Organization is occasionally named as the beneficiary under various wills and trust agreements; the total realizable amounts of which are not presently determinable. Such bequests are recorded when there is an irrevocable right to the bequest and the proceeds are determinable. These amounts were without donor restrictions and are included in contributions and fundraising in the accompanying combined statements of activities and changes in net assets. Total bequests received or committed were $2,349,202 and $903,085 for the years ended June 30, 2021 and 2020, respectively.

Special Events

Special events revenue, included in contributions and fundraising in the accompanying combined statements of activities and changes in net assets, is from the Organization's ability to host fundraising events. Special event income consists of both contributions and sales. The contribution portion of the special event income is recognized as revenue when unconditionally committed or received in accordance with Topic 958. Special events are considered donor restricted if the proceeds of the event are restricted for specific purposes or time periods at the time of the event. The sales portion of the special event income is recognized in accordance with Topic 606 and is derived from various components, including ticket sales from the Organization's Spring Celebration event and other fundraising events held in which the transaction price is determined annually. Registration fees for these events are set by the Organization and have not been allocated as the events are each considered to be separate performance obligations. Fees collected in advance of the special events are initially recorded as deferred revenue (contract liabilities) and are only recognized in the combined statements of activities and changes in net assets after the special event has occurred and the performance obligations have been met. There was no deferred revenue as of June 30, 2021 and 2020, as fees were collected and the events were held in the same period.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Contributions Received and Contributions Made - Topic 958 (Continued)

Employee Retention Tax Credit

The Organization accounts for the Employee Retention Tax Credit (ERTC) as a conditional grant under Topic 958 (See Note 14).

Donated Materials and Services

Donated materials and services are reflected as contributions and fundraising revenue and as assets or expenses at the date of receipt in amounts equal to their estimated fair values. Contributions and expenses in the amount of $390,139 for the years ended June 30, 2021 and 2020, have been recorded for the use of office or other building space donated by RCAB and other parties. These amounts are based on the fair rental value of similar space in the respective areas.

In addition, other donated materials and services totaling $2,911,652 and $2,323,928 for the years ended June 30, 2021 and 2020, respectively, were received from individuals and organizations and are included in contributions and fundraising in the accompanying combined statements of activities and changes in net assets.

The Organization receives services of volunteers in various aspects of its programs. The value of these services is not reflected in the accompanying combined financial statements since the value assigned to these services by the donating volunteers is not ascertainable and does not meet the criteria recognition of Subtopic 958-605, *Accounting for Contributions Received and Contributions Made* standard.

Forgiveness of Debt

Forgiveness of debt income is recorded in the period when the Organization met the conditions for forgiveness, which includes approval from the bank and the Small Business Administration (SBA) (see Note 6).

Advertising Costs

The Organization expenses advertising costs as incurred. Total advertising costs were $59,040 and $111,249 for the years ended June 30, 2021 and 2020, respectively, and are included in other expenses in the accompanying combined statements of functional expenses.

Subsequent Events

Subsequent events have been evaluated through November 11, 2021, which is the date the combined financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

Income Taxes

The Organization accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the combined financial statements regarding a tax position taken or expected to be taken in a tax return. The Organization has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the combined financial statements at June 30, 2021 and 2020. The Organization's information returns are subject to examination by the Federal and state jurisdictions.

3. INVESTMENTS

The Organization's unit holdings in the CIF do not have quoted prices in active markets or significant other observable inputs that have quoted market prices, although the Organization can redeem its investments at the net asset value per share at June 30, 2021 and 2020. In accordance with ASC Subtopic 820-10, *Fair Value Measurements*, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying combined statements of financial position (see Note 2). The Organization estimates the fair value of its unit holdings in the CIF, based on the Organization's share of the underlying investment portfolio that consists of actively-traded equities, bonds, private investment entities, mutual funds, and money market funds.

Investments were composed of the following as of June 30:

	2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Money market funds	$ 42,329	$ -	$ -	$ 42,329
Common stock	44,407	-	-	44,407
Mutual funds - equity investments:				
Large cap blend	4,404,004	-	-	4,404,004
Other	1,371,198	-	-	1,371,198
Large cap growth	1,263,054	-	-	1,263,054
Large cap value	1,235,360	-	-	1,235,360
Total mutual funds - equity investments	8,273,616	-	-	8,273,616
Mutual funds - fixed income:				
Intermediate term bonds	3,081,346	-	-	3,081,346
Long-term bonds	1,706,786	-	-	1,706,786
Total mutual funds - fixed income	4,788,132	-	-	4,788,132
Alternative Investments**	-	700,000	-	700,000
Investments - CIF*				4,319,459
Total	$ 13,148,484	$ 700,000	$ -	$ 18,167,943

* Investments - CIF include $728,979 of assets pertaining to gift annuities.

** Alternative Investments include investments within a real estate holding trust.

If an investment is directly held by the Organization and an active market with quoted prices exists (Level 1), the market price of an identical security is used to report fair value. Reported fair values of shares in mutual funds, exchange traded funds and equities are based on share prices reported by the funds as of the last business day of the fiscal year.

Level 2 investments consist of an investment within a real estate holding trust. The values for these investments are determined using other observable inputs such as market demand for such securities.

3. INVESTMENTS (Continued)

Investments were composed of the following as of June 30:

	2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Money market funds	$ 37,470	$ -	$ -	$ 34,470
Common stock	44,407	-	-	44,407
Mutual funds - equity investments:				
Large cap blend	2,214,083	-	-	2,214,083
Other	745,591	-	-	745,591
Large cap growth	2,056,542	-	-	2,056,542
Large cap value	1,649,416	-	-	1,649,416
Total mutual funds - equity investments	6,665,632	-	-	6,665,632
Mutual funds - fixed income:				
Intermediate term bonds	1,081,193	-	-	1,081,193
Long-term bonds	1,831,718	-	-	1,831,718
High yield bonds	1,239,163	-	-	1,239,163
Other	964,012	-	-	964,012
Total mutual funds - fixed income	5,116,086	-	-	5,116,086
Investments - CIF*				2,859,292
Total	$ 11,863,595	$ -	$ -	$ 14,722,887

* Investments - CIF include $420,000 of assets pertaining to gift annuities.

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2021	**2020**
Land	$ 306,887	$ 306,887
Buildings and improvements	29,464,755	29,374,103
Equipment	6,729,914	6,391,985
Vehicles	431,732	431,732
Leasehold improvements	1,676,930	1,651,555
	38,610,218	38,156,262
Construction in process	131,503	271,435
Less - accumulated depreciation	(21,176,909)	(19,923,300)
	$ 17,564,812	$ 18,504,397

Construction in process as of June 30, 2021 and 2020, represents primarily the cost of information technology infrastructure and equipment upgrades. Property and equipment with a cost of approximately $171,000 and $165,000 and net book value of approximately $134,000 and $160,000 as of June 30, 2021 and 2020, respectively, have been acquired with funds received from the Commonwealth of Massachusetts (the Commonwealth).

5. PLEDGES AND BEQUESTS RECEIVABLE

Pledges and bequests receivable, net were as follows at June 30:

	2021	2020
Due in less than one year	$ 1,544,148	$ 1,561,900
Due in one to nine years	2,354,970	3,581,525
	3,899,118	5,143,425
Less - allowance for doubtful accounts	142,286	126,054
Less - discount to present value of future cash flows and allowance	87,997	104,229
	$ 3,668,835	$ 4,913,142

A discount rate of 2.30%, representing the Organization's risk-free rate with a calculation of the one month LIBOR rate (1.80% as of June 30, 2021) plus 0.5%, was used to discount the multi-year pledges and bequests receivable at June 30, 2021. A discount rate of 1.8%, representing the Organization's risk-free rate, was used to discount multi-year pledges and bequests receivable at June 30, 2020.

6. MORTGAGE AND NOTES PAYABLE

The Organization has a $4,000,000 line of credit available which was extended to March 31, 2023. There was no balance outstanding on the line of credit at June 30, 2021 and 2020. Collateral for the line of credit includes $2,900,000 of marketable securities included on the Organization's investment portfolio. The interest rate on the line of credit was the prime rate (3.25% as of June 30, 2021 and 2020), or the thirty-day London Interbank Offered Rate (LIBOR) (0.10% and 0.16% as of June 30, 2021 and 2020, respectively), plus 170 basis points, at the Organization's election.

The Organization has elected to calculate and accrue interest based on the thirty-day LIBOR rate, plus 170 basis points. The line of credit agreement places limitations on additional indebtedness, disposal of assets and mergers, and specifies that certain financial covenants must be maintained. The Organization was in compliance with the financial and non-financial covenants as of June 30, 2021 and 2020.

On September 29, 2015, the Organization entered into a ten-year commercial mortgage note for $600,000 for the renovation of a childcare facility in Lynn, Massachusetts (the Child Care Facility). The loan accrues interest at 5.4% per annum and requires monthly principle and interest payments of $3,677 through September 29, 2025, with a final balloon payment of $452,086 due on the maturity date. This loan is secured by a first mortgage on the Child Care Facility. As of June 30, 2021 and 2020, the balance of this note was $524,027 and $539,009, respectively.

The Organization has a note payable to a third party with a 0% interest rate. The total balance of this note payable as of June 30, 2021 and 2020, was $73,546. There are no payments due until maturity of the note payable. This note payable is secured by a first mortgage on a property in Lowell, Massachusetts and matures on June 25, 2036.

The Organization entered into a note payable to enhance and update certain building equipment. The note is payable over twenty-four months at a 0% interest rate with a public utility company. Payments on the note began in fiscal 2020. As of June 30, 2021 and 2020, the outstanding balance was $1,331 and $6,653, respectively. This note payable is not secured by any collateral.

6. MORTGAGE AND NOTES PAYABLE (Continued)

During fiscal year 2020, the Organization applied for, and was awarded, a forgivable loan of \$4,065,780 from the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The funds were used to pay certain payroll costs, including benefits, as well as rent and utilities during a twenty-four week period (the covered period) as defined in the CARES Act; this amount was included as a notes payable at June 30, 2020. The Organization applied for forgiveness, and the funds were forgiven in full, during fiscal year 2021. This was recognized as non-operating revenue (see Note 2), as forgiveness of debt income in the accompanying 2021 combined statement of activities and changes in net assets.

Aggregate maturities of mortgage and notes payable over the next five years are as follows as of June 30:

2022	\$ 17,154
2023	\$ 16,711
2024	\$ 17,577
2025	\$ 18,636
2026	\$ 455,280

Interest expense was \$29,140 and \$86,639 for the years ended June 30, 2021 and 2020, respectively, and is included in other expenses in the accompanying combined statements of functional expenses.

7. RETIREMENT BENEFITS

Defined Benefit Plan

Prior to January 1, 2006, the Organization provided retirement benefits for substantially all employees through participation in a non-contributory, multi-employer, defined benefit pension plan administered by the Trustees of the Roman Catholic Archdiocese of Boston Pension Trust (the RCAB Plan). Effective December 31, 2005, the Organization froze its benefits and participation in the RCAB Plan.

The Trustees of the RCAB Plan provide an actuarial valuation of the present value of the accumulated plan benefits as of the end of each RCAB Plan year. The valuations indicate cumulative estimated funding deficits of \$44,000 and \$2,970,000 as of June 30, 2021 and 2020, respectively, and the Organization has recorded a liability equal to these amounts. The Organization renegotiated the freeze agreement during fiscal year 2012 with the Trustees of the RCAB Plan and is making payments into the RCAB Plan in accordance with terms of the agreement. The annual payments are intended to extinguish the unfunded liability of the RCAB Plan no later than the date the final payment is due, September 1, 2025.

Payment amounts are fixed per the agreement as of June 30, 2020. As of June 30, 2020, the RCAB Plan's actuary provided an updated unfunded liability calculation and re-amortized the remaining required payments through September 1, 2025. The actuarial valuation as of June 30, 2020, and re-amortization was required by the renegotiated freeze agreement which requires a payment of \$700,073 annually beginning in fiscal year 2022 through fiscal 2026. If the unfunded liability should ever become zero or reflect a surplus, then the Organization's required payments to the RCAB Plan would be suspended.

During fiscal years 2021 and 2020, the Organization offered lump-sum distributions to certain vested participants as defined in the agreement. Amounts paid to those who opted to accept the lump-sum are included in benefits paid.

7. RETIREMENT BENEFITS (Continued)

Defined Benefit Plan (Continued)

Obligations, funded status and other information are as follows at June 30:

	2021	2020
Funded Status:		
Fair value of plan assets	$ 15,305,000	$ 12,989,000
Projected benefit obligation	(15,349,000)	(15,959,000)
Pension benefit liability	$ (44,000)	$ (2,970,000)
Other Disclosures:		
Employer contributions	$ 91,000	$ 91,000
Benefits paid	$ 1,387,000	$ 1,382,000
Funded status	99.7%	81.4%

The following assumptions were used to determine benefit obligations as of June 30, 2021 and 2020:

Weighted average discount rate	6.5%
Expected return on plan assets	6.5%

Future Plan Benefit Payments

The approximate benefits expected to be paid in the future and employer contributions to be paid over the next five years are as follows:

	Benefits	Employer Contributions
2022	$ 1,409,000	$ 700,073
2023	$ 1,372,000	$ 700,073
2024	$ 1,354,000	$ 700,073
2025	$ 1,367,000	$ 700,073
2026	$ 1,371,000	$ 700,073
2027 - 2031	$ 6,403,000	$ -

The following table discloses the funded status of the frozen RCAB Plan as a whole as of June 30, 2021, for all participant organizations in the RCAB Plan as of the date of the last actuarial valuation:

Actuarial present value of accumulated plan benefits	$ 122,590,150
Fair value of Plan Assets	$ 119,194,873
Total contributions in 2021	$ 6,696,634
Funded status of the RCAB Pension Plan	97.2%

The risks of participating in a multi-employer plan are different from a single-employer plan because assets contributed to the plan by one employer may be used to provide benefits to employees of other participating organizations. If a participant employer suspended contributions to the plan, the unfunded obligations could be required to be borne by the remaining participant employers in the plan.

7. RETIREMENT BENEFITS (Continued)

Defined Contribution Plan

Effective January 1, 2006, the Organization began providing retirement benefits for substantially all employees through a 403(b) defined contribution plan, (the 403(b) Plan). For employees who participated in the Defined Benefit Plan, the Organization contributes between 3% and 8% of eligible annual employees' compensation to the 403(b) Plan based on the employee's age and years of service as of the date of the freeze of the Defined Benefit Plan. For all other employees, employer contributions are 3% of eligible employees' compensation. The 403(b) Plan also allows additional discretionary matching contributions of up to 2% of employees' compensation by the Organization. These additional matching contributions were suspended for fiscal years 2021 and 2020. All contributions made by the Organization vest over a period of three years. The Organization's benefit expense for the 403(b) Plan totaled $534,583 and $469,945 for the years ended June 30, 2021 and 2020, respectively, and is included in personnel and related costs in the accompanying combined statements of functional expenses.

8. LEASES

The Organization rents certain office and program space from outside parties and the RCAB under operating lease agreements expiring at various dates through June 2026. Rent expense for all offices was approximately $799,000 and $923,000 for the years ended June 30, 2021 and 2020, respectively, and in-kind rent totaled $390,139 for the years then ended (see Notes 2 and 10). These amounts are included in occupancy in the accompanying combined statements of functional expenses.

The Organization leases certain office equipment and vehicles from outside parties under operating lease agreements expiring at various dates through December 2025. Lease expense for all equipment and vehicles was $176,413 and $136,394 for the years ended June 30, 2021 and 2020, respectively, and is included in other expenses in the accompanying combined statements of functional expenses.

Future minimum lease payments under non-cancelable facility and equipment and vehicle leases consist of the following at June 30, 2021:

Year Ending June 30	Facility	Equipment and Vehicles
2022	$ 322,172	$ 106,440
2023	289,383	106,440
2024	252,111	106,440
2025	226,740	55,673
2026	178,370	3,504
Total minimum lease payments	$ 1,268,776	$ 378,497

9. CONTINGENCIES

Legal

In conducting its activities, the Organization, from time-to-time, is the subject of various litigation and other potential claims. In management's opinion, the ultimate resolution of such matters will not have a material effect on the combined statements of financial position or combined statements of activities and changes in net assets as of and for the years ended June 30, 2021 and 2020.

Community Economic Development Assistance Corporation (CEDAC) Grant

The Organization received an Early Education and Out of School Time Capital Fund grant agreement for $750,000 from CEDAC in September 2015 to pay for the construction costs associated with the renovation of its Massachusetts Department of Early Education and Care funded childcare facility. The grant was recorded as income in 2016. Under the terms of the agreement, the Organization must operate the property as a childcare facility with 25% of childcare slots reserved for low-income families for twenty-five years and four months commencing on September 29, 2015. Failure to meet this requirement will result in a liability to CEDAC. As of June 30, 2021, the Organization believes the remaining restriction will be met.

COVID-19

During fiscal year 2020 and continuing through fiscal year 2021, COVID-19 was recognized as a global pandemic. The impact of COVID-19 on the Organization's future operations and the demand for its products/services will depend upon, among other things, the duration, spread and intensity of the pandemic; related government responses such as required physical distancing; restrictions on business operations and travel; the pace of recovery of economic activity; and the impact to consumers, all of which are uncertain and impossible to predict. The financial impact to the Organization, if any, cannot be reasonably estimated at this time.

Conditional Grants

The Organization received multiple contracts with various government agencies through fiscal year 2023 under unit-rate and cost reimbursable service contracts. Cost reimbursable contract commitments are considered conditional under ASC Topic 958, as the Organization must incur qualified costs to meet performance requirements prior to recognizing revenue. Total contracts committed, but not recognized, as of June 30, 2021, summarized by type are as follows:

Unit rate	$ 10,794,773
Cost-reimbursable	$ 1,023,637
Other	$ 365,807

10. RELATED PARTIES

As discussed in Note 1, the Organization is organized under the auspices of RCAB. Certain transactions between the Organization and RCAB are described elsewhere in these notes to the combined financial statements. In addition, the Organization has the following transactions with RCAB:

The Organization received contributions through RCAB to support operations. These contributions totaled $251,377 and $405,776 for the years ended June 30, 2021 and 2020, respectively. The contributions included $214,853 and $316,956 from Archdiocesan parish collections for the years ended June 30, 2021 and 2020, respectively.

RCAB donated office and building space with a fair rental value of $390,139 for the years ended June 30, 2021 and 2020 (see Notes 1 and 8).

10. RELATED PARTIES (Continued)

The Organization purchases all of its insurance policies (directors' and officers' liability, general liability, automobile, fire and theft, and workers' compensation) through RCAB from various insurance carriers with annual costs totaling $457,744 and $447,889 for the years ended June 30, 2021 and 2020, respectively.

During fiscal years 2021 and 2020, the Organization received contributions and recorded pledges received through participation in the quiet phase of the Inspiring Hope Campaign, an RCAB capital campaign designed to raise significant funding for endowments, programs and capital needs to benefit virtually every institution in the Archdiocese. Contributions for operations totaled $1,331,375 in 2021 and $1,736,256 in 2020; gifts received for endowment totaled $317,044 in 2020. During fiscal year 2021, the Organization received $308,979 in gift annuities (see Note 2). There were no new pledges secured through the campaign in fiscal year 2021 and $4,046,838 was received or secured during 2020. The endowment funds raised will be managed by the Catholic Community Foundation (CCF), another agency organized under RCAB, and invested as part of the Common Investment Fund (see Note 3). A memorandum of understanding was negotiated with RCAB outlining responsibilities of each party as part of this campaign.

The Organization re-allocated $225,000 of assets received in a merger in 2003 to RCAB in 2021.

The Organization's Chief Executive Officer (CEO) and President is also a voting member of the Board of Trustees. Compensation is paid only for the role as CEO and President.

11. CONCENTRATIONS

The Organization derives a significant amount of its support and revenue without donor restrictions (approximately 46% and 49% for the years ended June 30, 2021 and 2020, respectively) from contracts negotiated with various agencies of the Commonwealth and other governmental agencies. Therefore, the Organization is subject to the regulations and rate formulas of the Massachusetts Division of Purchased Services and other state agencies. These contracts are generally renewable on an annual basis, and there is no assurance that such contracts will be renewed in the future.

Accounts receivable include approximately 75% and 87% due from Federal and state agencies as of June 30, 2021 and 2020, respectively.

Certain amounts from Federal and state agencies are subject to possible audit by the appropriate government agencies. In the opinion of management, the results of such audits, if any, will not have a material effect on the combined financial position of the Organization as of June 30, 2021 and 2020, or on its combined changes in net assets for the years then ended.

12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of donor-restricted gifts and contributions and investment return appropriated on restricted funds and are summarized as follows at June 30:

	2021	2020
Endowment assets to be held in perpetuity; the income from which is expendable for purposes designated by the donor (see Note 13)	$ 6,394,253	$ 6,394,253
Beneficial interests in perpetual trusts	6,093,783	4,866,703
Program services	3,842,717	3,782,563
Accumulated unspent investment return with donor restrictions	2,414,848	933,934
Time restricted	2,332,761	3,022,270
Total	$ 21,078,362	$ 18,999,723

During the years ended June 30, 2021 and 2020, the fair value of the beneficial interest in perpetual trusts changed by $1,227,080 and $(35,577), respectively.

13. ENDOWMENT

Interpretation of Relevant Law and Spending Policy

The Board of Trustees of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) requiring the preservation of the original value of the gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions to be held in perpetuity (a) the original value of gifts donated to the endowment, (b) the original gift value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions to be held in perpetuity is classified as donor restricted net assets (purpose restricted) until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

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 fund.
(2) The purposes of the Organization and the donor-restricted endowment fund.
(3) General economic conditions.
(4) The possible effect of inflation and deflation.
(5) The expected total return from income and the appreciation of investments.
(6) Other resources.
(7) The investment policies of the Organization.

13. ENDOWMENT (Continued)

Interpretation of Relevant Law and Spending Policy (Continued)

Earnings on investments are appropriated using a total return spending policy. Investment income or loss is allocated to operating and non-operating activities under this policy. To preserve the investments' long-term value, up to five percent of the investment portfolio's average market value for the preceding three years, (twelve fiscal quarters), can be used to support operating activities. For the years ended June 30, 2021 and 2020, the Organization budgeted 5% spending amounting to $420,096 and $377,916, respectively, to operations, excluding a specific investment vehicle with donor restrictions. The total spending policy and appropriation for fiscal years 2021 and 2020 of $420,096 and $377,916, respectively, is included in operating support, revenue and gains in the accompanying combined statements of activities and changes in net assets. The remaining investment income earned on the investment portfolio is included in non-operating revenue (expenses).

Return Objectives and Risk Parameters

The primary financial objectives of the Investment Portfolio are to provide a stream of relatively predictable, stable and constant earnings in support of annual budgetary needs, to preserve and enhance the real, inflation adjusted, purchasing power of endowment assets, and to provide support for capital investment needs as they arise. To satisfy these objectives, the portfolio is managed to the total return concept, which envisions the sources of spending as being from interest, dividends and capital gains. The investment portfolio is managed to provide for the long-term support of the Organization. To achieve its long-term investment objective, the portfolio should be invested primarily in equities, and will include asset classes to hedge against deflation and inflation. The purpose of diversification is to provide reasonable assurance that no manager, class of securities, or individual holding will have a disproportionate impact on the aggregate investment return. The asset allocation is to reflect the proper balance of the Organization's need for liquidity, preservation of purchasing power, and risk tolerance.

Strategies Employed for Achieving Objectives

Specific asset allocation targets and acceptable range of the percentage of portfolio investment by asset class have been defined in the Investment Policies and Procedures. The Organization targets an asset allocation strategy wherein assets are diversified among several asset classes. The investments are to be diversified by manager, by assets class and within asset class (by economic sector, industry, quality, and size). Additionally, returns are to be measured against specified indexes as benchmarks. The purpose of the equity allocation is to provide a stream of current income and appreciation of principal that more than offsets inflation. The purpose of the fixed income allocation is to provide a steady stream of income relative to an all-equity fund and to provide a hedge against deflation. The Board Finance/Investment Committee shall review the asset allocation and rebalancing policy annually.

13. ENDOWMENT (Continued)

The following schedule summarizes the changes in the Organization's donor-restricted endowment:

Endowment net assets, June 30, 2019	$ 7,039,269
Investment return	89,066
Investment return appropriated for operations under the spending policy	(117,192)
Contributions	317,044
Endowment net assets, June 30, 2020	7,328,187
Investment return	1,616,022
Investment return appropriated for operations under the spending policy	(135,108)
Endowment net assets, June 30, 2021	$ 8,809,101

14. EMPLOYEE RETENTION TAX CREDIT

The Employee Retention Tax Credit (ERTC) was first established by the CARES Act and was extended and expanded by Consolidated Appropriations Act (CAA) and American Rescue Plan Act (ARPA). ERTC provides a refundable tax credit against certain employment taxes equal to 50% of the first $10,000 in qualified wages paid to each employee between March 12, 2020 and December 31, 2020 (2020 ERTC), and 70% of the first $10,000, per quarter, in qualified wages paid to each employee between January 1, 2021 and December 31, 2021 (2021 ERTC). To be eligible, the Organization must meet certain conditions as described in applicable laws and regulations.

The Organization has determined that it qualifies for the 2021 ERTC and, therefore, is accounting for it as conditional grants under ASC Subtopic 958-605. These grants are conditional upon certain performance requirements and the incurrence of eligible expenses. These conditions were met as of June 30, 2021, and $1,888,530 was recognized as revenue on the accompanying combined statement of activities and changes in net assets during the year ended June 30, 2021. Eligibility for the credit and the credit calculations are subject to review and approval by the Federal government. In the opinion of management, the results of such reviews and audit will not have a material effect on the combined financial position of the Organization as of June 30, 2021, and on the changes in its net assets for the year then ended.

15. OPERATIONS, LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's financial assets available within one year from the combined statements of financial position date for general operating expenses as of June 30, 2021 and 2020, are as follows:

	2021	2020
Cash and cash equivalents	$ 5,049,042	$ 4,457,038
Accounts receivable, net	3,200,351	2,743,226
Current portion of pledges receivable, excluding endowment pledges	1,099,073	1,117,775
Estimated fiscal year distribution from beneficial Interest in perpetual trusts for the upcoming year	300,000	309,000
Investments budgeted to be utilized for the upcoming year	607,068	500,096
Total financial assets	10,255,534	9,127,135
Less - assets with donor restrictions not expected to be utilized during the upcoming fiscal year	-	(49,320)
Financial assets available to meet cash needs for general expenditures within one year	$ 10,255,534	$ 9,077,815

For the years ended June 30, 2021 and 2020, the Organization had operating results without donor restrictions of $2,301,193 and $333,136, respectively, including depreciation expense totaling $1,253,608 and $1,218,466 for the years ended June 30, 2021 and 2020, respectively. During fiscal years 2021 and 2020, the Organization reduced the previous annual operating deficits through strategic initiatives focused on enhancing revenues and program and expense management. Operating working capital net assets without donor restrictions increased from $5,003,042 to $12,893,102 from June 30, 2020 to June 30, 2021, respectively. Endowment resources for the future also increased from continued collection on prior year commitments through the Inspiring Hope Capital Campaign (see Note 10). The Organization also has available a $4,000,000 unused line of credit, (see Note 6) to support its ongoing operations.

The Organization relies on a diverse stream of government contractual revenues, contributions from donors, third-party payments, and individual payments related to Childcare, Interpreter services, and Behavioral Health services. The Organization receives contributions with donor restrictions that require resources to be used in a particular manner or in a future period, therefore, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, certain financial assets may not be available for general expenditure within one year. The Organization also has certain donor restricted assets limited to use which are available for general expenditures within one year in the normal course of operations.

The Organization adapted and modified its overall operations in response to the global health crisis and has remained operational throughout COVID-19. In response to the current environment in fiscal year 2022, the Organization plans to continue to focus on key programs to care for those most impacted by the global health crisis through support from donors, partners, volunteers, and the community-at-large and will continue to proactively manage results.

CATHOLIC CHARITABLE BUREAU OF THE ARCHDIOCESE OF BOSTON, INC. AND AFFILIATES

Combining Statement of Financial Position
June 30, 2021

Assets	**The Agency**	**WBCDC**	**CRCDC**	**Eliminations**	**Combined Total**
Cash and Cash Equivalents	$ 5,049,042	$ -	$ -	$ -	$ 5,049,042
Accounts Receivable, net	3,200,351	-	-	-	3,200,351
Due from Affiliates	6,501,082	-	-	(6,501,082)	-
Pledges and Bequests Receivable, net	3,668,835	-	-	-	3,668,835
Investments	18,167,943	-	-	-	18,167,943
Beneficial Interests in Perpetual Trusts	6,093,783	-	-	-	6,093,783
Property and Equipment, net	7,772,451	4,447,560	5,344,801	-	17,564,812
Other Assets	2,066,569	-	-	-	2,066,569
Total assets	$ 52,520,056	$ 4,447,560	$ 5,344,801	$ (6,501,082)	$ 55,811,335
Liabilities and Net Assets					
Liabilities:					
Accounts payable, accrued expenses and other	$ 3,434,272	$ -	$ -	$ -	$ 3,434,272
Split-interest agreement liability	314,397	-	-	-	314,397
Due to Catholic Charitable Bureau of the Archdiocese of Boston, Inc.	-	952,616	5,548,466	(6,501,082)	-
Mortgage and notes payable	598,904	-	-	-	598,904
Pension benefits liability	44,000	-	-	-	44,000
Total liabilities	4,391,573	952,616	5,548,466	(6,501,082)	4,391,573
Net Assets:					
Without donor restrictions:					
Operating:					
Working capital	12,893,102	-	-	-	12,893,102
Pension plan	(44,000)	-	-	-	(44,000)
Total operating	12,849,102	-	-	-	12,849,102
Property and equipment	13,634,637	3,494,944	(203,665)	-	16,925,916
Board designated	566,382	-	-	-	566,382
Total without donor restrictions	27,050,121	3,494,944	(203,665)	-	30,341,400
With donor restrictions	21,078,362	-	-	-	21,078,362
Total net assets	48,128,483	3,494,944	(203,665)	-	51,419,762
Total liabilities and net assets	$ 52,520,056	$ 4,447,560	$ 5,344,801	$ (6,501,082)	$ 55,811,335

Combining Statement of Activities
For the Year Ended June 30, 2021

	The Agency Without Donor Restrictions	The Agency With Donor Restrictions	WBCDC Without Donor Restrictions	CRCDC With Donor Restrictions	Eliminations	Combined Total
Operating Support, Revenue and Gains:						
Contributions and fundraising:						
Contributions and fundraising	$ 10,269,980	$ 1,346,831	$ -	$ -	$ -	$ 11,616,811
Contributions from the Roman Catholic Archdiocese of Boston (including in-kind contributions of $390,139)	1,244,234	-	-	-	-	1,244,234
Contributions from United Way organizations	709,678	32,592	-	-	-	742,270
Total contributions and fundraising	12,223,892	1,379,423	-	-	-	13,603,315
Program service fees, contract revenue and grants :						
Contract revenue from governmental and other agencies	19,292,053	-	-	-	-	19,292,053
Program service fees:						
Individuals	2,103,768	-	-	-	-	2,103,768
Medicaid and Medicare	1,006,861	-	-	-	-	1,006,861
Commercial insurance fees	131,275	-	-	-	-	131,275
Grants	2,026,943	3,525	-	-	-	2,030,468
Total program service fees, contract revenue, and grants	24,560,900	3,525	-	-	-	24,564,425
Employee retention tax credit	1,888,530	-	-	-	-	1,888,530
Investment return appropriated for operations	420,096	-	-	-	-	420,096
Investment and miscellaneous income	95,637	-	209,844	221,604	(431,448)	95,637
Net assets released from time restrictions	1,355,774	(1,355,774)	-	-	-	-
Net assets released from purpose restrictions	1,175,630	(1,175,630)	-	-	-	-
Subtotal	4,935,667	(2,531,404)	209,844	221,604	(431,448)	2,404,263
Total operating support, revenue and gains	41,720,459	(1,148,456)	209,844	221,604	(431,448)	40,572,003
Operating Expenses:						
Program services:						
Community social services	18,965,691	-	93,506	141,185	(234,691)	18,965,691
Childcare services	13,040,386	-	43,489	65,543	(109,032)	13,040,386
Behavioral health and addiction treatment services	1,191,631	-	9,818	-	(9,818)	1,191,631
Total program services	33,197,708	-	146,813	206,728	(353,541)	33,197,708
Supporting services:						
Management and general	4,491,978	-	60,238	12,986	(73,224)	4,491,978
Fundraising	1,729,580	-	2,793	1,890	(4,683)	1,729,580
Total supporting services	6,221,558	-	63,031	14,876	(77,907)	6,221,558
Total operating expenses	39,419,266	-	209,844	221,604	(431,448)	39,419,266
Changes in net assets from operations	2,301,193	(1,148,456)	-	-	-	1,152,737
Non-Operating Revenue (Expenses):						
Forgiveness of debt	4,065,780	-	-	-	-	4,065,780
Investment earnings	1,399,490	2,135,123	-	-	-	3,534,613
Pension related changes other than net periodic pension cost	2,834,868	-	-	-	-	2,834,868
Change in fair value of beneficial interests in perpetual trusts	-	1,227,080	-	-	-	1,227,080
Contributions for long-term purposes - capital	10,870	-	-	-	-	10,870
Reallocation of net assets	(225,000)	-	-	-	-	(225,000)
Investment return appropriated for operations	(284,988)	(135,108)	-	-	-	(420,096)
Changes in net assets	$ 10,102,213	$ 2,078,639	$ -	$ -	$ -	$ 12,180,852