



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

**COMBINED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

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

Contents
June 30, 2022 and 2021

	<u>Pages</u>
Independent Auditor’s Report	1 - 1A
Combined Financial Statements:	
Combined Statements of Financial Position	2
Combined Statements of Activities and Changes in Net Assets	3 - 4
Combined Statements of Cash Flows	5
Combined Statements of Functional Expenses	6 - 7
Notes to Combined Financial Statements	8 - 31
Supplemental Combining Information:	
Combining Statement of Financial Position	32
Combining Statement of Activities	33

Independent Auditor's Report

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

Opinion

We have audited the combined financial statements of Catholic Charitable Bureau of the Archdiocese of Boston, Inc. and Affiliates (Massachusetts nonprofit corporations) (collectively, the Organization), which comprise the combined statements of financial position as of June 30, 2022 and 2021, 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.

In our opinion, the accompanying combined financial statements 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, 2022 and 2021, and the changes in their combined net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, which raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying combining statements of financial position and activities shown on pages 32 and 33 are presented for purposes of additional analysis and are 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 combining statements of financial position and activities shown on pages 32 and 33 are fairly stated in all material respects in relation to the combined financial statements as a whole.

AAFCPA, Inc.

Boston, Massachusetts
November 8, 2022

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

Combined Statements of Financial Position
June 30, 2022 and 2021

Assets	2022	2021
Cash and Cash Equivalents	\$ 6,214,718	\$ 5,049,042
Accounts Receivable, net	3,707,610	2,579,996
Program Service Receivables	481,524	620,355
Pledges and Bequests Receivable, net	2,769,065	3,668,835
Investments	16,438,981	18,167,943
Beneficial Interests in Perpetual Trusts	4,855,140	6,093,783
Property and Equipment, net	17,534,291	17,564,812
Other Assets	<u>3,868,941</u>	<u>2,066,569</u>
Total assets	<u>\$ 55,870,270</u>	<u>\$ 55,811,335</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable, accrued expenses and other	\$ 3,836,287	\$ 3,297,010
Conditional grant advances	1,395,080	137,262
Split-interest agreement liability	77,546	314,397
Mortgage and notes payable	581,750	598,904
Capital lease	307,663	-
Pension benefits liability	<u>2,510,000</u>	<u>44,000</u>
Total liabilities	<u>8,708,326</u>	<u>4,391,573</u>
Net Assets:		
Without donor restrictions:		
Operating:		
Working capital	12,540,585	12,893,102
Pension plan	<u>(2,510,000)</u>	<u>(44,000)</u>
Total operating	10,030,585	12,849,102
Property and equipment Board designated	<u>16,417,809</u>	<u>16,925,916</u>
Total without donor restrictions	28,968,423	30,341,400
With donor restrictions	<u>18,193,521</u>	<u>21,078,362</u>
Total net assets	<u>47,161,944</u>	<u>51,419,762</u>
Total liabilities and net assets	<u>\$ 55,870,270</u>	<u>\$ 55,811,335</u>

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, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Support, Revenue and Gains:			
Contributions and fundraising:			
Contributions and fundraising	\$ 6,907,792	\$ 2,209,884	\$ 9,117,676
In-kind contributions	3,720,395	-	3,720,395
Contributions from the Roman Catholic Archdiocese of Boston	739,919	117,005	856,924
Contributions from United Way organizations	748,812	-	748,812
Total contributions and fundraising	<u>12,116,918</u>	<u>2,326,889</u>	<u>14,443,807</u>
Program service fees, contract revenue and grants:			
Contract revenue from governmental and other agencies	22,236,687	-	22,236,687
Program service fees:			
Individuals and clients	3,109,239	-	3,109,239
Medicaid and Medicare	841,642	-	841,642
Commercial insurance fees	122,738	-	122,738
Grants	3,259,851	-	3,259,851
Total program service fees, contract revenue, and grants	<u>29,570,157</u>	<u>-</u>	<u>29,570,157</u>
Other revenue:			
Employee retention tax credit	1,682,822	-	1,682,822
Investment return appropriated for operations	472,090	-	472,090
Investment and miscellaneous income	107,797	-	107,797
Net assets released from time restrictions	1,690,074	(1,690,074)	-
Net assets released from purpose restrictions	805,816	(805,816)	-
Total other revenue	<u>4,758,599</u>	<u>(2,495,890)</u>	<u>2,262,709</u>
Total operating support, revenue and gains	<u>46,445,674</u>	<u>(169,001)</u>	<u>46,276,673</u>
Operating Expenses:			
Program services:			
Basic Needs	11,495,149	-	11,495,149
Refugee & Immigration	3,734,605	-	3,734,605
Family & Youth Support	17,880,554	-	17,880,554
Adult Education & Workforce Development	4,371,888	-	4,371,888
Total program services	<u>37,482,196</u>	<u>-</u>	<u>37,482,196</u>
Supporting services:			
Management and general	4,952,171	-	4,952,171
Fundraising	1,630,338	-	1,630,338
Total supporting services	<u>6,582,509</u>	<u>-</u>	<u>6,582,509</u>
Total operating expenses	<u>44,064,705</u>	<u>-</u>	<u>44,064,705</u>
Changes in net assets from operations	2,380,969	(169,001)	2,211,968
Non-Operating Revenue (Expenses):			
Endowment contributions	-	500,000	500,000
Contributions for long-term purposes - capital	209,212	-	209,212
Investment earnings appropriated for operations	(328,471)	(143,619)	(472,090)
Change in fair value of beneficial interests in perpetual trusts	-	(1,238,643)	(1,238,643)
Investment earnings	(468,614)	(1,833,578)	(2,302,192)
Pension related changes other than net periodic pension cost	<u>(3,166,073)</u>	<u>-</u>	<u>(3,166,073)</u>
Changes in net assets	<u>(1,372,977)</u>	<u>(2,884,841)</u>	<u>(4,257,818)</u>
Net Assets:			
Beginning of year	<u>30,341,400</u>	<u>21,078,362</u>	<u>51,419,762</u>
End of year	<u>\$ 28,968,423</u>	<u>\$ 18,193,521</u>	<u>\$ 47,161,944</u>

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	\$ 7,358,328	\$ 1,346,831	\$ 8,705,159
In-kind contributions	3,301,791	-	3,301,791
Contributions from the Roman Catholic Archdiocese of Boston	854,095	-	854,095
Contributions from United Way organizations	709,678	32,592	742,270
Total contributions and fundraising	<u>12,223,892</u>	<u>1,379,423</u>	<u>13,603,315</u>
Program service fees, contract revenue and grants:			
Contract revenue from governmental and other agencies	19,098,148	-	19,098,148
Program service fees:			
Individuals and clients	2,297,673	-	2,297,673
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	<u>24,560,900</u>	<u>3,525</u>	<u>24,564,425</u>
Other revenue:			
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)	-
Total other revenue	<u>4,935,667</u>	<u>(2,531,404)</u>	<u>2,404,263</u>
Total operating support, revenue and gains	<u>41,720,459</u>	<u>(1,148,456)</u>	<u>40,572,003</u>
Operating Expenses:			
Program services:			
Basic Needs	10,567,714	-	10,567,714
Refugee & Immigration	2,324,051	-	2,324,051
Family & Youth Support	16,413,174	-	16,413,174
Adult Education & Workforce Development	3,892,769	-	3,892,769
Total program services	<u>33,197,708</u>	<u>-</u>	<u>33,197,708</u>
Supporting services:			
Management and general	4,491,978	-	4,491,978
Fundraising	1,729,580	-	1,729,580
Total supporting services	<u>6,221,558</u>	<u>-</u>	<u>6,221,558</u>
Total operating expenses	<u>39,419,266</u>	<u>-</u>	<u>39,419,266</u>
Changes in net assets from operations	2,301,193	(1,148,456)	1,152,737
Non-Operating Revenue (Expenses):			
Contributions for long-term purposes - capital	10,870	-	10,870
Investment earnings appropriated for operations	(284,988)	(135,108)	(420,096)
Change in fair value of beneficial interests in perpetual trusts	-	1,227,080	1,227,080
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
Forgiveness of debt	4,065,780	-	4,065,780
Reallocation of net assets	(225,000)	-	(225,000)
Changes in net assets	<u>10,102,213</u>	<u>2,078,639</u>	<u>12,180,852</u>
Net Assets:			
Beginning of year	<u>20,239,187</u>	<u>18,999,723</u>	<u>39,238,910</u>
End of year	<u>\$ 30,341,400</u>	<u>\$ 21,078,362</u>	<u>\$ 51,419,762</u>

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

Combined Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ (4,257,818)	\$ 12,180,852
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	1,270,815	1,253,608
Net change in pension benefits liability	2,466,000	(2,926,000)
Net realized and unrealized (gain) loss on investments	2,545,709	(2,822,201)
Bad debt	303,576	59,993
Change in fair value of beneficial interests in perpetual trusts	1,238,643	(1,227,080)
Forgiveness of debt	-	(4,065,780)
Return of net assets	-	225,000
Discount on pledges and bequests receivable	(110,722)	(16,232)
Allowance for doubtful accounts - pledges	24,037	16,232
Contributions for long-term purposes - capital	(209,212)	(10,870)
Endowment contributions	(500,000)	-
Changes in operating assets and liabilities:		
Accounts receivable	(1,431,190)	(309,433)
Program services receivable	138,831	(207,685)
Pledges and bequests receivable	1,236,455	705,772
Other assets	(1,802,372)	(1,755,976)
Accounts payable, accrued expenses and other	352,200	187,778
Conditional grant advances	1,257,818	(37,186)
Net cash provided by operating activities	<u>2,522,770</u>	<u>1,250,792</u>
Cash Flows from Investing Activities:		
Purchases of investments	(1,053,598)	(9,246,617)
Proceeds from sale of investments	-	9,236,304
Reallocation of net assets	-	(225,000)
Purchase of property and equipment	(734,945)	(414,041)
Net cash used in investing activities	<u>(1,788,543)</u>	<u>(649,354)</u>
Cash Flows from Financing Activities:		
Endowment contributions	250,000	-
Proceeds from contributions for long-term purposes - capital	209,212	10,870
Principal payments on mortgage and notes payable	(17,154)	(20,304)
Principal payments on capital lease	(10,609)	-
Net cash provided by (used in) financing activities	<u>431,449</u>	<u>(9,434)</u>
Net Change in Cash and Cash Equivalents	<u>1,165,676</u>	<u>592,004</u>
Cash and Cash Equivalents:		
Beginning of year	<u>5,049,042</u>	<u>4,457,038</u>
End of year	<u>\$ 6,214,718</u>	<u>\$ 5,049,042</u>
Supplemental Disclosure of Cash and Non-Cash Investing and Financing Activities:		
Cash paid for interest	<u>\$ 29,572</u>	<u>\$ 29,140</u>
Property and equipment included in accounts payable	<u>\$ 227,069</u>	<u>\$ 39,992</u>
Construction in process placed in service	<u>\$ 38,379</u>	<u>\$ 238,462</u>
Investments held by others - purchases	<u>\$ 623,675</u>	<u>\$ 847,154</u>
Property and equipment financed by capital lease	<u>\$ 318,272</u>	<u>\$ -</u>

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

Combined Statement of Functional Expenses

For the Year Ended June 30, 2022

(With Summarized Comparative Totals for the Year Ended June 30, 2021)

	2022					2021				
	Program Services				Total Program Services	Supporting Services		Total Expenses	Total Expenses	
Basic Needs	Refugee & Immigrant Services	Family & Youth Support	Adult Education & Workforce Development	Management and General		Fundraising	Total Supporting Services			
Expenses:										
Personnel and related costs	\$ 4,349,017	\$ 1,694,330	\$ 8,942,230	\$ 3,507,438	\$ 18,493,015	\$ 3,424,538	\$ 632,775	\$ 4,057,313	\$ 22,550,328	\$ 21,766,863
Family child care providers	-	-	5,366,023	-	5,366,023	-	-	-	5,366,023	4,905,749
In-kind	3,447,936	-	213,750	-	3,661,686	21,209	37,500	58,709	3,720,395	3,301,791
Other expenses	691,451	153,775	1,210,326	137,373	2,192,925	490,638	592,494	1,083,132	3,276,057	2,459,969
Occupancy	886,838	41,792	805,039	297,346	2,031,015	187,520	27,059	214,579	2,245,594	1,790,498
Client assistance	1,089,957	869,082	29,519	625	1,989,183	2,777	-	2,777	1,991,960	1,140,935
Professional services	502,729	102,484	133,060	22,345	760,618	626,100	310,739	936,839	1,697,457	1,319,715
Depreciation	255,293	53,149	574,458	210,833	1,093,733	151,998	25,084	177,082	1,270,815	1,253,608
Supplies	271,928	8,112	606,149	195,928	1,082,117	47,391	4,687	52,078	1,134,195	922,814
Interpreter fees	-	811,881	-	-	811,881	-	-	-	811,881	557,324
Total expenses	\$ 11,495,149	\$ 3,734,605	\$ 17,880,554	\$ 4,371,888	\$ 37,482,196	\$ 4,952,171	\$ 1,630,338	\$ 6,582,509	\$ 44,064,705	\$ 39,419,266

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

Combined Statement of Functional Expenses
For the Year Ended June 30, 2021

	Program Services				Supporting Services			Total Expenses	
	Basic Needs	Refugee & Immigrant Services	Family & Youth Support	Adult Education & Workforce Development	Total Program Services	Management and General	Fundraising		Total Supporting Services
Expenses:									
Personnel and related costs	\$ 4,526,577	\$ 1,301,104	\$ 8,421,899	\$ 3,279,711	\$ 17,529,291	\$ 3,242,565	\$ 995,007	\$ 4,237,572	\$ 21,766,863
Family child care providers	-	-	4,905,749	-	4,905,749	-	-	-	4,905,749
In-kind	3,031,415	-	211,725	500	3,243,640	20,651	37,500	58,151	3,301,791
Other expenses	457,479	106,038	858,929	109,928	1,532,374	382,174	545,421	927,595	2,459,969
Occupancy	658,522	29,394	703,423	214,670	1,606,009	169,346	15,143	184,489	1,790,498
Client assistance	930,357	181,438	26,676	361	1,138,832	2,103	-	2,103	1,140,935
Professional services	485,276	89,686	107,854	27,167	709,983	499,101	110,631	609,732	1,319,715
Depreciation	262,135	53,907	602,522	170,415	1,088,979	147,783	16,846	164,629	1,253,608
Supplies	215,953	5,160	574,397	90,017	885,527	28,255	9,032	37,287	922,814
Interpreter fees	-	557,324	-	-	557,324	-	-	-	557,324
Total expenses	\$ 10,567,714	\$ 2,324,051	\$ 16,413,174	\$ 3,892,769	\$ 33,197,708	\$ 4,491,978	\$ 1,729,580	\$ 6,221,558	\$ 39,419,266

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

Notes to Combined Financial Statements
June 30, 2022 and 2021

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 support services, refugee and immigrant services and adult education 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 is considered unrelated business income and is 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, 2022 and 2021, 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, WBCDC and CRCDC. Significant intercompany accounts and transactions among the combined organizations have been eliminated in preparing the combined financial statements.

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

Notes to Combined Financial Statements
June 30, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Pronouncement

FASB issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 is intended to increase the transparency of contributed nonfinancial assets (in-kind goods and services) for not-for-profit entities through enhancements to presentation and disclosure. The amendments in this ASU do not change the recognition and measurement requirements of in-kind goods and services.

In fiscal year 2022, the Organization adopted ASU 2020-07. The adoption of this ASU did not impact the Organization's net asset classes, results of operations, or cash flows for the years ended June 30, 2022 and 2021. This ASU has been applied retrospectively to all periods presented.

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. Endowment contributions, contributions for long term purposes - capital, all investment returns (losses) in excess of the earnings used for operations under the spending policy, changes in the fair value of beneficial interests in perpetual trusts, amounts recorded in connection with the defined benefit pension plan (see Note 7), forgiveness for debt (see Note 6) 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 by the Board of Trustees for future capital expenditures for \$520,029 and \$566,382 as of June 30, 2022 and 2021, respectively, as well as \$2,000,000 for stability reserves as of June 30, 2022.

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

Notes to Combined Financial Statements
June 30, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Asset Classifications (Continued)

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).

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.

Investments

Investments are recorded in the combined statements of financial position 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.

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

Notes to Combined Financial Statements
June 30, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

Investments (Continued)

The Organization's investment in a real estate holding trust is valued using other observable inputs, such as market demand for such securities. A summary of inputs used in valuing the Organization's investments as of June 30, 2022 and 2021, is included in Note 3.

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.

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

Notes to Combined Financial Statements
June 30, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

Split-Interest Agreements Liability

The Organization has gift annuities totaling \$120,000 and \$728,979 at June 30, 2022 and 2021, 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 \$77,546 and \$314,397 as of June 30, 2022 and 2021, respectively. During fiscal year 2022, upon the death of one of the donors, the Organization recognized approximately \$609,000 in contribution revenue. The inputs used to estimate the fair value are considered Level 3 in the fair value hierarchy.

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

Accounts receivable consists of contract service receivables 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.

Program Service Receivables

Included in program service receivables are patient service and individual receivables (see page 16). Patient service receivables 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. Patient service 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).

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

Notes to Combined Financial Statements
June 30, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 (loss) from net assets without donor restrictions and investment income (loss) 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).

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.

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, 2022 and 2021. 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 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
Vehicles	5 - 7 years
Leasehold improvements	Life of the lease
Equipment	Shorter of 3 - 10 years or the 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.

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

Notes to Combined Financial Statements
June 30, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense Allocation (Continued)

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.

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 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 fees and private tuition are included in program service fees from individuals and clients 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 and clients 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 and clients 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.

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

Notes to Combined Financial Statements
June 30, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Revenue from Contracts with Customers - Topic 606 (Continued)

Clinical Services Revenue (Continued)

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.

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 \$755,000 and \$911,000 (which is 90% and 91%, respectively, of total program service fees) relating to Medicaid and Medicare for the years ended June 30, 2022 and 2021, 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 \$86,000 and \$96,000 (which is 10% and 9%, respectively, of total program service fees) relating to Medicaid and Medicare for the years ended June 30, 2022 and 2021, 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.

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

Notes to Combined Financial Statements
June 30, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Revenue from Contracts with Customers - Topic 606 (Continued)

Clinical Services Revenue (Continued)

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.

Disaggregation of Program Service Receivables

The Organization's program service receivables are recognized under Topic 606. The following table presents a disaggregation of service receivable, by type, as of June 30:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Patient service receivables	\$ 400,196	\$ 260,819	\$ 284,244
Individual receivables	<u>81,328</u>	<u>359,536</u>	<u>128,426</u>
Total	<u>\$ 481,524</u>	<u>\$ 620,355</u>	<u>\$ 412,670</u>

Disaggregation of Program Service Fees - Individuals and clients

The Organization's program service fee revenue from individuals and clients 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:

	<u>2022</u>	<u>2021</u>
Interpreter service fees - point in time	\$ 1,700,014	\$ 1,244,240
Childcare fees - over time	1,292,547	921,740
Clinical services and other - point in time	61,584	94,526
CNA class fees - over time	<u>55,094</u>	<u>37,167</u>
Total	<u>\$ 3,109,239</u>	<u>\$ 2,297,673</u>

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

Notes to Combined Financial Statements
June 30, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

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 and grants with various government agencies have been recorded in accordance with Topic 958. These contracts totaled \$25,496,538 and \$21,125,091 for the years ended June 30, 2022 and 2021, respectively, and are considered nonreciprocal transactions because the general public receives the benefit as a result of the assets transferred.

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.

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 advances 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 \$1,996,978 and \$2,349,202 for the years ended June 30, 2022 and 2021, respectively.

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

Notes to Combined Financial Statements
June 30, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Contributions Received and Contributions Made - Topic 958 (Continued)

In-Kind Contributions

The Organization recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. The Organization receives services from a large number of volunteers who give significant amounts of their time to the Organization's programs, but which do not meet the criteria for combined financial statement recognition.

All in-kind contributions received by the Organization for the fiscal years ended June 30, 2022 and 2021, were considered without donor restrictions and able to be used by the Organization as determined by the board of directors and management.

The Organization receives donated and discounted food for use in its basic needs programs, primarily the food pantries. The in-kind food is valued based on fair value reports from donating agencies or values obtained from comparative sources.

The Organization receives the use of certain office and program space donated by RCAB and other parties (see Note 10). These amounts are based on the fair rental value of similar space in the respective areas.

The Organization receives additional miscellaneous in-kind contributions which include supplies or goods that are valued by the donor or using comparative values of what the Organization would pay for such items.

The Organization received the following in-kind contributions for the year ending June 30:

	<u>2022</u>	<u>2021</u>
Food	\$ 3,062,275	\$ 2,601,802
Rent	399,669	390,139
Miscellaneous and other	<u>258,451</u>	<u>309,850</u>
Total in-kind contributions	<u>\$ 3,720,395</u>	<u>\$ 3,301,791</u>

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.

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

Notes to Combined Financial Statements
June 30, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Contributions Received and Contributions Made - Topic 958 (Continued)

Special Events (Continued)

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. In fiscal year 2022, there were two events held that had contributions for fiscal year 2023 operations and a sales portion of the event that was recognized as Topic 606 fees. There was no deferred revenue as of June 30, 2021, as all events were virtual and no sales revenue related to events was collected.

Employee Retention Tax Credit

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

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, 2022 and 2021. The Organization's information returns are subject to examination by the Federal and state jurisdictions.

Subsequent Events

Subsequent events have been evaluated through November 8, 2022, 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 combined financial statements.

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, 2022 and 2021. 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.

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

Notes to Combined Financial Statements
June 30, 2022 and 2021

3. INVESTMENTS (Continued)

Investments were composed of the following as of June 30:

	2022			Total
	Level 1	Level 2	Level 3	
Money market funds	\$ 341,946	\$ -	\$ -	\$ 341,946
Common stock	44,407	-	-	44,407
Mutual funds - equity investments:				
Large cap blend	4,058,439	-	-	4,058,439
Other	1,221,385	-	-	1,221,385
Large cap value	1,171,913	-	-	1,171,913
Large cap growth	968,222	-	-	968,222
Total mutual funds - equity investments	7,419,959	-	-	7,419,959
Mutual funds - fixed income:				
Intermediate term bonds	2,716,504	-	-	2,716,504
Long-term bonds	1,506,442	-	-	1,506,442
Total mutual funds - fixed income	4,222,946	-	-	4,222,946
Alternative Investments**	-	891,477	-	891,477
Investments - CIF*	3,398,246	-	120,000	3,518,246
Total	\$ 15,247,504	\$ 891,477	\$ 120,000	\$ 16,438,981
	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 value	1,235,360	-	-	1,235,360
Large cap growth	1,263,054	-	-	1,263,054
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*	3,590,480	-	728,979	4,319,459
Total	\$ 16,738,964	\$ 700,000	\$ 728,979	\$ 18,167,943

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

Notes to Combined Financial Statements
June 30, 2022 and 2021

3. INVESTMENTS (Continued)

* Investments - CIF includes \$120,000 and \$728,979 of assets pertaining to gift annuities at June 30, 2022 and 2021, respectively.

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

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2022</u>	<u>2021</u>
Land	\$ 306,887	\$ 306,887
Buildings and improvements	29,681,665	29,464,755
Equipment	7,363,850	6,729,914
Vehicles	537,319	431,732
Leasehold improvements	<u>1,755,371</u>	<u>1,676,930</u>
	39,645,092	38,610,218
Construction in process	336,922	131,503
Less - accumulated depreciation	<u>(22,447,723)</u>	<u>(21,176,909)</u>
	<u>\$ 17,534,291</u>	<u>\$ 17,564,812</u>

Construction in process as of June 30, 2022 and 2021, represents primarily the cost of information technology infrastructure and equipment upgrades. Property and equipment with a cost of approximately \$369,000 and \$173,000 and net book value of approximately \$276,000 and \$135,000 as of June 30, 2022 and 2021, 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:

	<u>2022</u>	<u>2021</u>
Due in less than one year	\$ 1,154,543	\$ 1,544,148
Due in one to nine years	<u>1,758,120</u>	<u>2,354,970</u>
	2,912,663	3,899,118
Less - allowance for doubtful accounts	31,564	142,286
Less - discount to present value of future cash flows and allowance	<u>112,034</u>	<u>87,997</u>
	<u>\$ 2,769,065</u>	<u>\$ 3,668,835</u>

A discount rate of 3.84% and 2.3% was used to discount the multi-year pledges and bequests receivable at June 30, 2022 and 2021, respectively.

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

Notes to Combined Financial Statements
June 30, 2022 and 2021

6. MORTGAGE AND NOTES PAYABLE

Line of Credit

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, 2022 and 2021. Collateral for the line of credit includes \$2,900,000 of marketable securities included in the Organization's investment portfolio. The interest rate on the line of credit is calculated based on either the bank's prime lending rate (4.63% and 3.25% as of June 30, 2022 and 2021, respectively), or the thirty-day London Interbank Offered Rate (LIBOR) (1.78% and 0.10% as of June 30, 2022 and 2021, 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, 2022 and 2021.

PPP Loan

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.

Mortgage Payable

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 principal 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, 2022 and 2021, the balance of this note was \$508,204 and \$524,027, respectively.

Notes Payable

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, 2022 and 2021, 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 was payable over twenty-four months at a 0% interest rate with a public utility company. Payments on the note began in fiscal 2020. This note was paid in full as of June 30, 2022. As of June 30, 2021, the outstanding balance was \$1,331. This note payable was not secured by any collateral.

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

Notes to Combined Financial Statements
June 30, 2022 and 2021

6. MORTGAGE AND NOTES PAYABLE (Continued)

Notes Payable (Continued)

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

2023	\$ 16,711
2024	\$ 17,577
2025	\$ 18,636
2026	\$ 455,280
2027	\$ -

Interest expense was \$29,572 and \$29,140 for the years ended June 30, 2022 and 2021, 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 \$2,510,000 and \$44,000 as of June 30, 2022 and 2021, 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 2022 and 2021, 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.

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

Notes to Combined Financial Statements
June 30, 2022 and 2021

7. RETIREMENT BENEFITS (Continued)

Defined Benefit Plan (Continued)

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

	<u>2022</u>	<u>2021</u>
Funded Status:		
Fair value of plan assets	\$ 12,049,000	\$ 15,305,000
Projected benefit obligation	<u>(14,559,000)</u>	<u>(15,349,000)</u>
Pension benefit liability	<u>\$ (2,510,000)</u>	<u>\$ (44,000)</u>
Other Disclosures:		
Employer contributions	<u>\$ 700,000</u>	<u>\$ 91,000</u>
Benefits paid	<u>\$ 1,444,000</u>	<u>\$ 1,387,000</u>
Funded status	<u>82.8%</u>	<u>99.7%</u>

The following assumptions were used to determine benefit obligations as of June 30, 2022 and 2021:

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 over the next five years are as follows:

	<u>Benefits</u>
2023	\$ 1,347,000
2024	\$ 1,332,000
2025	\$ 1,346,000
2026	\$ 1,352,000
2027	\$ 1,337,000
2028 - 2032	\$ 6,119,000

Future minimum employer contributions for the benefit plan are set at \$700,073 through fiscal year 2026 as established by the current plan agreement. Upon expiration of the freeze agreement, the continuing employer contributions will be negotiated with the Trustees of the RCAB Plan.

The following table discloses the funded status of the frozen RCAB Plan as a whole as of June 30, 2022, for all participant organizations in the RCAB Plan as of the date of the last actuarial valuation:

Actuarial present value of accumulated plan benefits	\$ 93,146,102
Fair value of Plan Assets	\$ 69,262,255
Total contributions in 2022	\$ 8,654,495
Funded status of the RCAB Pension Plan	74.4%

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

Notes to Combined Financial Statements
June 30, 2022 and 2021

7. RETIREMENT BENEFITS (Continued)

Future Plan Benefit Payments (Continued)

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.

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 2022 and 2021. All contributions made by the Organization vest over a period of three years. The Organization's benefit expense for the 403(b) Plan totaled \$480,705 and \$534,583 for the years ended June 30, 2022 and 2021, respectively, and is included in personnel and related costs in the accompanying combined statements of functional expenses.

8. LEASES

Operating 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 2032. Rent expense for all locations was approximately \$827,000 and \$799,000 for the years ended June 30, 2022 and 2021, respectively, and in-kind rent totaled \$399,669 and \$390,139, respectively, 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 approximately \$203,000 and \$176,000 for the years ended June 30, 2022 and 2021, 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, 2022:

<u>Year Ending June 30</u>	<u>Facility</u>	<u>Equipment and Vehicles</u>
2023	\$ 562,356	\$ 106,440
2024	515,520	106,440
2025	496,185	55,673
2026	453,887	3,504
2027	281,626	-
Thereafter	<u>1,368,218</u>	<u>-</u>
Total minimum lease payments	<u>\$ 3,677,792</u>	<u>\$ 272,057</u>

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

Notes to Combined Financial Statements
June 30, 2022 and 2021

8. LEASES (Continued)

Capital Lease

The Organization began leasing certain information technology equipment with a cost of \$318,272 under a capital lease agreement during fiscal year 2022. Accumulated depreciation on the equipment was \$10,609 at June 30, 2022. The present value of future minimum lease payments was not materially different than the future required minimum payments. Future minimum payments relating to the lease are \$69,654 annually over the next four years with the final \$29,047 due in fiscal year 2027.

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, 2022 and 2021.

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, 2022, the Organization believes the remaining restriction will be met.

Conditional Grants

The Organization received multiple contracts with various government agencies through fiscal year 2025 under unit-rate and cost reimbursable service contracts. These government contracts contain funder-imposed conditions that represent a barrier that must be overcome, as well as a right of return of assets or release from obligations. The funder-imposed conditions for this contract revenue include the requirement for the Organization to incur qualifying expenses and provide qualifying services. Accordingly, no revenue has been recorded in the accompanying combined financial statements pertaining to these conditional agreements. Total contracts committed, but not recognized, summarized by type as of June 30:

	<u>2022</u>	<u>2021</u>
Unit rate	\$ 11,188,981	\$ 10,794,773
Cost-reimbursable	1,749,261	1,023,637
Other	<u>380,993</u>	<u>365,807</u>
Total	<u>\$ 13,319,235</u>	<u>\$ 12,184,217</u>

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

Notes to Combined Financial Statements
June 30, 2022 and 2021

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 \$415,205 and \$251,377 for the years ended June 30, 2022 and 2021, respectively. The contributions included \$322,605 and \$214,853 from Archdiocesan parish collections for the years ended June 30, 2022 and 2021, respectively.

RCAB donated office and building space with a fair rental value of \$399,669 and \$390,139 for the years ended June 30, 2022 and 2021, respectively (see Notes 1, 2 and 8).

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 \$490,308 and \$457,744 for the years ended June 30, 2022 and 2021, respectively.

During fiscal years 2022 and 2021, the Organization received contributions and recorded pledges received through participation in 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 \$1,272,995 in 2022 and \$1,331,375 in 2021; gifts received for endowment totaled \$308,979 in 2021. During fiscal year 2022, \$608,979 of gift annuity benefits were recognized as revenue without donor restriction upon the death of the donor. There were no new pledges secured through the campaign in fiscal years 2022 and 2021. 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 49% and 46% for the years ended June 30, 2022 and 2021, 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 includes approximately 39% and 54% due from the following state agencies as of June 30:

	<u>2022</u>	<u>2021</u>
Department of Early Education and Care	30%	39%
Department of Housing and Community Development	9%	15%

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

Notes to Combined Financial Statements
June 30, 2022 and 2021

11. CONCENTRATIONS (Continued)

Program service receivables include approximately 43% and 12% due from one payor as of June 30, 2022 and 2021, respectively.

Pledges and bequests receivables include approximately 73% and 41% due from two donors and one donor as of June 30, 2022 and 2021, 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, 2022 and 2021, 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:

	<u>2022</u>	<u>2021</u>
Endowment assets to be held in perpetuity; the income from which is expendable for purposes designated by the donor (see Note 13)	\$ 6,894,253	\$ 6,394,253
Beneficial interests in perpetual trusts	4,855,140	6,093,783
Program services	4,197,200	3,842,717
Time restricted	1,337,781	2,332,761
Accumulated unspent investment return with donor restrictions	<u>909,147</u>	<u>2,414,848</u>
Total	<u>\$ 18,193,521</u>	<u>\$ 21,078,362</u>

During the years ended June 30, 2022 and 2021, the fair value of the beneficial interest in perpetual trusts changed by \$(1,238,643) and \$1,227,080, 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.

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

Notes to Combined Financial Statements
June 30, 2022 and 2021

13. ENDOWMENT (Continued)

Interpretation of Relevant Law and Spending Policy (Continued)

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.

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, 2022 and 2021, the Organization budgeted and appropriated 5% spending amounting to \$472,090 and \$420,096, respectively, to operations, excluding a specific investment vehicle with donor restrictions. The total spending policy appropriation for fiscal years 2022 and 2021 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, if any, is included in non-operating revenue (expenses).

Underwater Endowments

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level required that the Organization to retain as a fund of perpetual duration. Deficiencies of this nature exist in four donor-restricted endowment funds, which together have an original gift value of \$2,519,143, a current fair value of \$2,328,756, and a deficiency of \$190,387 as of June 30, 2022. These deficiencies resulted from unfavorable marked fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs that was deemed prudent by the board of directors.

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.

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

Notes to Combined Financial Statements
June 30, 2022 and 2021

13. ENDOWMENT (Continued)

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.

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

Endowment net assets, June 30, 2020	\$ 7,328,187
Investment return	1,616,022
Investment return appropriated for operations under the spending policy	<u>(135,108)</u>
Endowment net assets, June 30, 2021	8,809,101
Investment loss	(1,362,082)
Investment return appropriated for operations under the spending policy	(143,619)
Contribution	<u>500,000</u>
Endowment net assets, June 30, 2022	<u>\$ 7,803,400</u>

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 September 30, 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 and 2020 ERTC, and therefore, is accounting for them 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, 2022, and \$1,682,822 and \$1,888,530 were recognized as revenue during the years ended June 30, 2022 and 2021, respectively, in the accompanying combined statements of activities and changes in net assets. 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. The payments for these credits have not been received as of June 30, 2022, and the entire amount of \$3,571,352, is included in other assets in the accompanying combined statement of financial position.

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

Notes to Combined Financial Statements
June 30, 2022 and 2021

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, 2022 and 2021, are as follows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 6,214,718	\$ 5,049,042
Accounts receivable, net	3,707,610	2,579,996
Program service receivables	481,524	620,355
Current portion of pledges receivable, excluding endowment pledges	793,868	1,099,073
Estimated fiscal year distribution from beneficial interest in perpetual trusts for the upcoming year	349,900	300,000
Investments budgeted to be utilized for the upcoming year	<u>683,620</u>	<u>607,068</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 12,231,240</u>	<u>\$ 10,255,534</u>

For the years ended June 30, 2022 and 2021, the Organization had operating results without donor restrictions of \$2,380,969 and \$2,301,193, respectively, including depreciation expense totaling \$1,270,815 and \$1,253,608 for the years ended June 30, 2022 and 2021, respectively. During fiscal years 2022 and 2021, the Organization reduced the previous annual operating deficits through strategic initiatives focused on enhancing revenues and program expense management. Operating working capital net assets without donor restrictions decreased from \$12,893,102 to \$12,540,585 from June 30, 2021 to June 30, 2022, respectively. Endowment resources for the future 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.

16. RECLASSIFICATIONS

Certain amounts in the June 30, 2021 combined financial statements have been reclassified to conform with the June 30, 2022 presentation.

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

Combining Statement of Financial Position
June 30, 2022

Assets	The Agency	WBCDC	CRCDC	Eliminations	Combined Total
Cash and Cash Equivalents	\$ 6,214,718	\$ -	\$ -	\$ -	\$ 6,214,718
Accounts Receivable, net	3,707,610	-	-	-	3,707,610
Patient Service Receivable	481,524	-	-	-	481,524
Due from Affiliates	6,069,634	-	-	(6,069,634)	-
Pledges and Bequests Receivable, net	2,769,065	-	-	-	2,769,065
Investments	16,438,981	-	-	-	16,438,981
Beneficial Interests in Perpetual Trusts	4,855,140	-	-	-	4,855,140
Property and Equipment, net	8,173,378	4,237,716	5,123,197	-	17,534,291
Other Assets	3,868,941	-	-	-	3,868,941
Total assets	<u>\$ 52,578,991</u>	<u>\$ 4,237,716</u>	<u>\$ 5,123,197</u>	<u>\$ (6,069,634)</u>	<u>\$ 55,870,270</u>
Liabilities and Net Assets					
Liabilities:					
Accounts payable, accrued expenses and other	\$ 3,836,287	\$ -	\$ -	\$ -	\$ 3,836,287
Conditional grant advances	1,395,080	-	-	-	1,395,080
Split-interest agreement liability	77,546	-	-	-	77,546
Due to Catholic Charitable Bureau of the Archdiocese of Boston, Inc.	-	742,772	5,326,862	(6,069,634)	-
Mortgage and notes payable	581,750	-	-	-	581,750
Capital lease	307,663	-	-	-	307,663
Pension benefits liability	2,510,000	-	-	-	2,510,000
Total liabilities	<u>8,708,326</u>	<u>742,772</u>	<u>5,326,862</u>	<u>(6,069,634)</u>	<u>8,708,326</u>
Net Assets:					
Without donor restrictions:					
Operating:					
Working capital	12,540,585	-	-	-	12,540,585
Pension plan	(2,510,000)	-	-	-	(2,510,000)
Total operating	<u>10,030,585</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,030,585</u>
Property and equipment Board designated	13,126,530	3,494,944	(203,665)	-	16,417,809
	<u>2,520,029</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,520,029</u>
Total without donor restrictions	<u>25,677,144</u>	<u>3,494,944</u>	<u>(203,665)</u>	<u>-</u>	<u>28,968,423</u>
With donor restrictions	18,193,521	-	-	-	18,193,521
Total net assets	<u>43,870,665</u>	<u>3,494,944</u>	<u>(203,665)</u>	<u>-</u>	<u>47,161,944</u>
Total liabilities and net assets	<u>\$ 52,578,991</u>	<u>\$ 4,237,716</u>	<u>\$ 5,123,197</u>	<u>\$ (6,069,634)</u>	<u>\$ 55,870,270</u>

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

Combining Statement of Activities
For the Year Ended June 30, 2022

	The Agency		WBCDC	CRDC	Eliminations	Combined Total
	Without Donor Restrictions	With Donor Restrictions				
Operating Support, Revenue and Gains:						
Contributions and fundraising:						
Contributions and fundraising	\$ 6,907,792	\$ 2,209,884	\$ -	\$ -	\$ -	\$ 9,117,676
In-kind contributions	3,720,395	-	-	-	-	3,720,395
Contributions from the Roman Catholic Archdiocese of Boston	739,919	117,005	-	-	-	856,924
Contributions from United Way organizations	748,812	-	-	-	-	748,812
Total contributions and fundraising	<u>12,116,918</u>	<u>2,326,889</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,443,807</u>
Program service fees, contract revenue and grants :						
Contract revenue from governmental and other agencies	22,236,687	-	-	-	-	22,236,687
Program service fees:						
Individuals	3,109,239	-	-	-	-	3,109,239
Medicaid and Medicare	841,642	-	-	-	-	841,642
Commercial insurance fees	122,738	-	-	-	-	122,738
Grants	3,259,851	-	-	-	-	3,259,851
Total program service fees, contract revenue, and grants	<u>29,570,157</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,570,157</u>
Employee retention tax credit	1,682,822	-	-	-	-	1,682,822
Investment return appropriated for operations	472,090	-	-	-	-	472,090
Investment and miscellaneous income	107,797	-	209,844	221,604	(431,448)	107,797
Net assets released from time restrictions	1,690,074	(1,690,074)	-	-	-	-
Net assets released from purpose restrictions	805,816	(805,816)	-	-	-	-
Subtotal	<u>4,758,599</u>	<u>(2,495,890)</u>	<u>209,844</u>	<u>221,604</u>	<u>(431,448)</u>	<u>2,262,709</u>
Total operating support, revenue and gains	<u>46,445,674</u>	<u>(169,001)</u>	<u>209,844</u>	<u>221,604</u>	<u>(431,448)</u>	<u>46,276,673</u>
Operating Expenses:						
Program services:						
Basic Needs	11,495,149	-	12,431	105,636	(118,067)	11,495,149
Refugee & Immigration	3,734,605	-	69,981	-	(69,981)	3,734,605
Family & Youth Support	17,880,554	-	37,117	63,152	(100,269)	17,880,554
Adult Education & Workforce Development	4,371,888	-	19,478	36,806	(56,284)	4,371,888
Total program services	<u>37,482,196</u>	<u>-</u>	<u>139,007</u>	<u>205,594</u>	<u>(344,601)</u>	<u>37,482,196</u>
Supporting services:						
Management and general	4,952,171	-	69,669	15,583	(85,252)	4,952,171
Fundraising	1,630,338	-	1,168	427	(1,595)	1,630,338
Total supporting services	<u>6,582,509</u>	<u>-</u>	<u>70,837</u>	<u>16,010</u>	<u>(86,847)</u>	<u>6,582,509</u>
Total operating expenses	<u>44,064,705</u>	<u>-</u>	<u>209,844</u>	<u>221,604</u>	<u>(431,448)</u>	<u>44,064,705</u>
Changes in net assets from operations	2,380,969	(169,001)	-	-	-	2,211,968
Non-Operating Revenue (Expenses):						
Endowment contributions	-	500,000	-	-	-	500,000
Contributions for long-term purposes - capital	209,212	-	-	-	-	209,212
Investment earnings appropriated for operations	(328,471)	(143,619)	-	-	-	(472,090)
Change in fair value of beneficial interests in perpetual trusts	-	(1,238,643)	-	-	-	(1,238,643)
Investment earnings	(468,614)	(1,833,578)	-	-	-	(2,302,192)
Pension related changes other than net periodic pension cost	(3,166,073)	-	-	-	-	(3,166,073)
Changes in net assets	<u>\$ (1,372,977)</u>	<u>\$ (2,884,841)</u>	<u>\$ (4,257,818)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,257,818)</u>