

CATHOLIC CHARITIES OF BUFFALO, N.Y.

FINANCIAL STATEMENTS

June 30, 2022

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Catholic Charities of Buffalo, N.Y.

Opinion

We have audited the combined financial statements of Catholic Charities of Buffalo, N.Y. (Catholic Charities) and affiliates, which comprise the combined balance sheets as of June 30, 2022 and 2021, and the related combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the combined financial position of Catholic Charities as of June 30, 2022 and 2021, and the combined changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Catholic Charities, 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 financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than 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 financial statements.

In performing an audit in accordance with GAAS, we:

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

A handwritten signature in blue ink that reads "Symonds & McCormick, LLP". The signature is written in a cursive, flowing style.

October 25, 2022

CATHOLIC CHARITIES OF BUFFALO, N.Y.

Combined Balance Sheets

June 30,	2022	2021
Assets		
Cash	\$ 3,310,003	\$ 2,193,592
Receivables, net (Note 2)	7,707,146	6,269,843
Prepaid Fund for the Faith	807,106	1,086,218
Prepaid expenses and other assets	12,794	8,828
Investments (Note 3)	21,801,534	25,628,944
Property and equipment, net (Note 4)	7,607,291	7,969,086
	\$ 41,245,874	\$ 43,156,511
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 758,292	\$ 501,032
Accrued expenses	1,799,802	2,107,283
Refundable advances	994,164	850,611
Long-term debt (Note 6)	85,880	109,544
Paycheck Protection Program loan (Note 7)	-	3,743,964
Estimated third-party payor settlements - service fees	140,900	140,900
Postretirement health benefits (Note 11)	3,253,000	3,520,000
	7,032,038	10,973,334
Net assets:		
Without donor restrictions	22,515,409	20,397,597
With donor restrictions (Note 8)	11,698,427	11,785,580
	34,213,836	32,183,177
	\$ 41,245,874	\$ 43,156,511

CATHOLIC CHARITIES OF BUFFALO, N.Y.

Combined Statements of Activities

For the years ended June 30,

2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Annual campaign	\$ -	\$ 9,588,223	\$ 9,588,223
Less: Donor designations	-	(54,784)	(54,784)
Net assets released from restrictions	8,809,189	(8,809,189)	-
Less: Estimated uncollectible pledges	-	(300,964)	(300,964)
Net appeal revenue	8,809,189	423,286	9,232,475
Other support and revenue			
Contributions:			
Government grants	14,166,402	-	14,166,402
Government grants - Paycheck Protection Program loans	3,743,964	-	3,743,964
Other public support	1,966,341	-	1,966,341
Other nonfinancial support (Note 9)	1,817,023	-	1,817,023
Service fees	6,003,614	-	6,003,614
Contracts	611,706	-	611,706
Net change in value of assets held by others	(305,108)	(508,650)	(813,758)
Other investment income (loss)	(754,549)	-	(754,549)
Other income	198,131	-	198,131
Net assets released from restrictions	1,789	(1,789)	-
Total support and revenue	36,258,502	(87,153)	36,171,349
Expenses			
Program services	28,167,984	-	28,167,984
Administration	3,783,919	-	3,783,919
Fundraising	2,135,849	-	2,135,849
Total expenses	34,087,752	-	34,087,752
Excess (deficit) of support and revenue over expenses	2,170,750	(87,153)	2,083,597
Other changes in net assets			
Postretirement benefit obligation	(52,938)	-	(52,938)
Change in net assets	2,117,812	(87,153)	2,030,659
Net assets - beginning	20,397,597	11,785,580	32,183,177
Net assets - ending	\$ 22,515,409	\$ 11,698,427	\$ 34,213,836

See accompanying notes.

2021

Without Donor Restrictions	With Donor Restrictions	Total
\$ -	\$ 9,038,766	\$ 9,038,766
-	(41,704)	(41,704)
8,285,993	(8,285,993)	-
-	(187,873)	(187,873)
<u>8,285,993</u>	<u>523,196</u>	<u>8,809,189</u>
13,968,102	-	13,968,102
788,877	-	788,877
1,139,952	-	1,139,952
2,567,705	-	2,567,705
6,194,090	-	6,194,090
586,610	-	586,610
552,719	522,066	1,074,785
2,762,825	-	2,762,825
120,822	-	120,822
535,888	(535,888)	-
<u>37,503,583</u>	<u>509,374</u>	<u>38,012,957</u>
28,565,602	-	28,565,602
4,039,811	-	4,039,811
1,324,413	-	1,324,413
<u>33,929,826</u>	<u>-</u>	<u>33,929,826</u>
<u>3,573,757</u>	<u>509,374</u>	<u>4,083,131</u>
<u>(312,926)</u>	<u>-</u>	<u>(312,926)</u>
3,260,831	509,374	3,770,205
<u>17,136,766</u>	<u>11,276,206</u>	<u>28,412,972</u>
<u>\$ 20,397,597</u>	<u>\$ 11,785,580</u>	<u>\$ 32,183,177</u>

CATHOLIC CHARITIES OF BUFFALO, N.Y.

Combined Statement of Functional Expenses

For the year ended June 30, 2022

	Family and Community Services	Fund for the Faith	School Based Services	Parish Outreach and Advocacy	Refugee and Immigration Assistance	Workforce Development	Clinical and Aging Services	Total Program Services	Administration	Fundraising	Total
Salaries and wages	\$ 7,283,152	\$ -	\$ 176,335	\$ 548,853	\$ 725,222	\$ 1,000,182	\$ 3,742,538	\$ 13,476,282	\$ 1,929,572	\$ 384,903	\$ 15,790,757
Payroll taxes and benefits	2,473,408	-	68,212	203,295	269,188	269,347	1,265,048	4,548,498	733,745	105,102	5,387,345
Stipends	-	-	-	-	-	-	139,811	139,811	-	-	139,811
Total salaries and related benefits	9,756,560	-	244,547	752,148	994,410	1,269,529	5,147,397	18,164,591	2,663,317	490,005	21,317,913
Fund for the Faith	-	1,677,408	-	-	-	-	-	1,677,408	-	-	1,677,408
Rent	417,102	-	-	24,730	-	87,776	139,712	669,320	199,446	-	868,766
Client care expense	729,283	-	6,362	1,714,148	247,042	31,336	23,028	2,751,199	14,455	-	2,765,654
Food	145,691	-	-	22,580	7,116	1,236	1,100	177,723	796	-	178,519
Supplies	173,458	-	7,120	11,200	12,770	19,234	111,840	335,622	5,211	143,109	483,942
Telephone	243,471	-	1,549	55,135	29,142	16,755	133,447	479,499	202,961	7,907	690,367
Travel and conference	139,421	-	2,178	7,446	16,032	12,284	22,248	199,609	20,850	3,475	223,934
Purchased services	102,205	-	-	4,564	123,603	225,040	74,420	529,832	74,133	781,270	1,385,235
Professional fees	36,411	-	-	-	4,285	-	1,365,528	1,406,224	259,315	-	1,665,539
Computer fees	52,977	-	3,132	3,370	13,164	64,392	120,724	257,759	10,392	4,592	272,743
Auto and truck expense	28,251	-	673	2,094	2,766	9,049	14,459	57,292	7,360	11,619	76,271
Postage and freight	26,248	-	161	2,130	1,089	1,100	10,675	41,403	1,762	24,977	68,142
Repairs and maintenance	131,463	-	2,631	45,859	11,567	20,430	129,646	341,596	11,736	7,052	360,384
Advertising and promotion	13,152	-	-	126	-	-	2,504	15,782	32,626	590,510	638,918
Utilities	129,538	-	759	29,620	46,988	15,406	85,218	307,529	8,306	5,925	321,760
Insurance	103,296	-	1,787	8,668	10,417	13,835	49,342	187,345	41,283	4,440	233,068
Staff development	56,019	-	436	8,160	2,691	5,358	33,230	105,894	33,804	7,498	147,196
Dues and subscriptions	44,453	-	-	-	881	732	6,545	52,611	41,426	1,068	95,105
Bad debts	-	-	-	-	-	-	-	-	-	-	-
Other	20,148	-	-	2,566	1,965	698	3,702	29,079	127,379	36,518	192,976
Depreciation	200,484	-	2,500	11,950	50,644	26,394	88,695	380,667	27,361	15,884	423,912
	\$ 12,549,631	\$ 1,677,408	\$ 273,835	\$ 2,706,494	\$ 1,576,572	\$ 1,820,584	\$ 7,563,460	\$ 28,167,984	\$ 3,783,919	\$ 2,135,849	\$ 34,087,752

See accompanying notes.

CATHOLIC CHARITIES OF BUFFALO, N.Y.

Combined Statement of Functional Expenses

For the year ended June 30, 2021

	Family and Community Services	Fund for the Faith	School Based Services	Parish Outreach and Advocacy	Refugee and Immigration Assistance	Workforce Development	Clinical and Aging Services	Total Program Services	Administration	Fundraising	Total
Salaries and wages	\$ 7,917,989	\$ -	\$ 184,651	\$ 551,100	\$ 499,413	\$ 1,070,341	\$ 3,666,765	\$ 13,890,259	\$ 2,005,223	\$ 349,690	\$ 16,245,172
Payroll taxes and benefits	2,676,403	-	77,511	191,948	211,980	317,253	1,251,898	4,726,993	862,423	112,558	5,701,974
Stipends	-	-	-	-	-	-	265,339	265,339	-	-	265,339
Total salaries and related benefits	10,594,392	-	262,162	743,048	711,393	1,387,594	5,184,002	18,882,591	2,867,646	462,248	22,212,485
Fund for the Faith	-	1,393,243	-	-	-	-	-	1,393,243	-	-	1,393,243
Rent	465,912	-	-	28,608	-	71,248	143,045	708,813	173,151	-	881,964
Client care expense	298,660	-	-	2,507,595	73,117	16,853	9,680	2,905,905	11,240	-	2,917,145
Food	103,865	-	-	41,319	-	331	964	146,479	19,462	-	165,941
Supplies	130,233	-	3,381	69,811	8,648	19,786	101,019	332,878	7,351	2,884	343,113
Telephone	206,806	-	1,783	47,853	18,851	20,040	101,192	396,525	300,265	9,815	706,605
Travel and conference	119,560	-	561	8,584	6,204	3,480	8,488	146,877	22,691	874	170,442
Purchased services	203,489	-	15,950	9,802	204,890	251,335	79,919	765,385	75,436	157,463	998,284
Professional fees	21,638	-	-	-	-	-	1,092,824	1,114,462	286,714	-	1,401,176
Computer fees	52,877	-	892	2,914	6,019	6,516	163,622	232,840	8,550	2,986	244,376
Auto and truck expense	31,799	-	681	2,032	2,443	10,220	13,522	60,697	7,395	9,391	77,483
Postage and freight	33,548	-	595	2,515	3,124	2,198	14,062	56,042	4,074	59,617	119,733
Repairs and maintenance	164,681	-	1,447	67,859	7,073	25,747	99,528	366,335	12,975	7,329	386,639
Advertising and promotion	2,590	-	-	187	-	938	540	4,255	25,987	542,808	573,050
Utilities	124,776	-	784	30,954	37,198	20,305	70,141	284,158	8,517	7,370	300,045
Insurance	108,710	-	1,753	8,843	7,406	14,896	45,449	187,057	42,171	3,245	232,473
Staff development	72,056	-	402	4,267	1,201	5,939	28,002	111,867	10,335	5,675	127,877
Dues and subscriptions	36,889	-	-	56	692	376	6,472	44,485	25,802	4,024	74,311
Bad debts	-	-	-	-	-	-	-	-	19,500	-	19,500
Other	28,299	-	-	651	-	205	2,173	31,328	79,762	35,922	147,012
Depreciation	200,130	-	2,835	13,276	57,834	36,833	82,472	393,380	30,787	12,762	436,929
	\$ 13,000,910	\$ 1,393,243	\$ 293,226	\$ 3,590,174	\$ 1,146,093	\$ 1,894,840	\$ 7,247,116	\$ 28,565,602	\$ 4,039,811	\$ 1,324,413	\$ 33,929,826

See accompanying notes.

CATHOLIC CHARITIES OF BUFFALO, N.Y.

Combined Statements of Cash Flows

For the years ended June 30,	2022	2021
Operating activities:		
Change in net assets	\$ 2,030,659	\$ 3,770,205
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Net change in value of investments - assets held by others	813,758	(1,074,785)
Net realized and unrealized (gains) losses on other investments	965,972	(2,009,834)
Depreciation	423,912	436,929
Paycheck Protection Program loan forgiveness	(3,743,964)	(788,877)
Changes in other operating assets and liabilities:		
Receivables	(1,437,303)	(1,139,668)
Prepaid Fund for the Faith	279,112	(227,450)
Prepaid expenses and other assets	(3,966)	8,073
Accounts payable	257,260	(133,422)
Accrued expenses	(307,481)	131,251
Refundable advances	143,553	352,981
Estimated third-party payor settlements - service fees	-	(303,500)
Postretirement health benefits	(267,000)	33,000
Net operating activities	(845,488)	(945,097)
Investing activities:		
Property and equipment purchases	(62,117)	(267,430)
Proceeds from sale of investments	7,559,417	7,810,557
Purchases of investments	(5,511,737)	(6,219,140)
Net investing activities	1,985,563	1,323,987
Financing activities:		
Payments on long-term debt	(23,664)	(356,238)
Net change in cash	1,116,411	22,652
Cash - beginning	2,193,592	2,170,940
Cash - ending	\$ 3,310,003	\$ 2,193,592

Notes to Combined Financial Statements

1. Summary of Significant Accounting Policies:

Nature of Organization:

The combined financial statements include the accounts of Catholic Charities of Buffalo, N.Y. and its affiliated entity, Monsignor Carr Institute (collectively referred to as Catholic Charities) which provide a variety of community care services throughout Western New York State.

Catholic Charities coordinates an annual fund raising appeal and enters into agreements with federal, state and local government agencies to support its mission. It also (through Monsignor Carr Institute) provides individual and group mental health and substance abuse services to residents of Erie and Niagara Counties, New York, which generates patient service fees.

All significant interprogram and intercompany transactions have been eliminated in the accompanying combined financial statements.

Catholic Charities is related to the Diocese of Buffalo (the Diocese) and The Foundation of the Roman Catholic Diocese of Buffalo, N.Y. Inc. (the Foundation) through common Board members.

Tax Status:

Catholic Charities of Buffalo, N.Y. and Monsignor Carr Institute are 501(c)(3) corporations exempt from income taxes under Section 501(a) of the Internal Revenue Code.

Subsequent Events:

Catholic Charities has evaluated events and transactions for potential recognition or disclosure in the financial statements through October 25, 2022, the date the financial statements were available to be issued.

Cash:

Cash in financial institutions in excess of insured limits may subject Catholic Charities to concentrations of credit risk at various times during the year.

Revenue Recognition:

Contributions

Contributions, including government grants, are reported at fair value at the date the contributions or pledges are received. Contributions are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated support for future periods. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same reporting period are shown as support without donor restrictions.

Catholic Charities' annual appeal is conducted each spring and is essentially complete by June 30th. Substantially all cash contributions and pledges are recorded as time restricted until the following fiscal year when management approves and allocates funds to programs within Catholic Charities and Fund for the Faith at the Diocese. Undirected appeal contributions allocated to Fund for the Faith in 2022 and 2021 (related to the 2021 and 2020 appeal years) totaled \$1,677,408 and \$1,393,243. Commitments to the Fund for the Faith to be allocated and recorded in fiscal 2023 (2022 appeal) total approximately \$1,559,000. Prepaid Fund for the Faith represents amounts that are disbursed to the Diocese in advance.

Beginning with the 2019 appeal, donors are offered an option to direct contributions entirely to either Catholic Charities or the Fund for the Faith. Consequently, Catholic Charities had \$54,784 and \$41,704 of designated contributions to Fund for the Faith in 2022 and 2021.

Uncollectible pledges and administrative appeal expenses are recognized by Catholic Charities and the Diocese based on their proportionate share of cash receipts.

Contributors to the annual appeal reside primarily in Western New York State. Economic conditions in this area may affect the collectability of the contributions receivable.

When significant, unconditional promises to give that are expected to be collected in future years are recorded at the net present value of estimated future cash flows using a discount rate applicable to the year in which the pledge is received. Amortization of the discount is included in contributions revenue.

Funds received from conditional grants are considered earned and reported as revenue when Catholic Charities incurs expenditures in compliance with specific grant requirements. Amounts received but not yet earned are reported as refundable advances.

Service Fees

Service fee revenue relates to contracts with patients and in most cases involve a third-party payor (Medicare, Medicaid, commercial and other managed care insurance companies) in which Catholic Charities’ performance obligations are to provide health care services. Service fee revenue is recorded at expected collectible amounts over the time in which obligations to provide health care services are satisfied.

The transaction price is determined based on gross charges for services provided, reduced by contractual adjustments provided to third-party payors and implicit price concessions provided primarily to uninsured patients. Patients who have health care insurance may also have discounts applied related to their copayment or deductible. Implicit price concessions are recorded as a direct reduction to service fee revenue and are based primarily on historical collection experience. Estimates of contractual adjustments and discounts are determined by major payor classes for patient revenues based on contractual agreements, discount policies and historical experience. Management continually reviews the contractual estimation process to consider and incorporate updates to laws and regulations and frequent changes in commercial and managed care contractual terms resulting from contract renegotiations and renewals.

Implicit price concessions relate primarily to amounts due directly from patients. Estimated implicit price concessions are recorded for all uninsured accounts, regardless of the aging of those accounts. Accounts are written off when all reasonable internal and external collections have been performed.

The estimates for implicit price concessions are based upon management’s assessment of historical write-offs and expected net collections, business and economic conditions, trends in federal, state and private health care coverage and other collection indicators. Management relies on the results of detailed reviews of historical write-offs and collections of revenues and patient accounts receivable as a primary source of information in estimating the collectability of service fees receivable.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Settlements with third-party payors for retroactive revenue adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. Such estimates are determined through either a probability-weighted estimate or an estimate of the most likely amount, depending on the circumstances related to a given estimated settlement item.

These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and Catholic Charities’ historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known, or as years are settled or are no longer subject to such audits, reviews and investigations.

Service fee revenues earned by payor and significant concentrations of service fees receivable are as follows:

	Service Fee Revenue	
	2022	2021
Medicare	1%	1%
Medicaid	7%	7%
Commercial and managed care	86%	87%
Self-pay	6%	5%
	100%	100%

	Service Fees Receivable	
	2022	2021
Medicare	25%	27%
Medicaid	15%	21%
Commercial and managed care	54%	47%
Self-pay	6%	5%
	100%	100%

Contracts

Contract revenue is generated as Catholic Charities performs services for third parties. Catholic Charities recognizes revenues as services are performed. Third parties are billed monthly and payment is due generally within 30 days.

Charity Care:

Catholic Charities provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because Catholic Charities does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

The estimated costs of services and supplies furnished under Catholic Charities' charity care policy, determined based on a ratio of cost to charges calculation, aggregated approximately \$341,000 and \$255,000 in 2022 and 2021.

Investments:

Investments in marketable securities are measured at fair value on a recurring basis as determined by quoted prices in active markets.

Property and Equipment:

Property and equipment is stated at cost or fair market value at the date of donation, net of accumulated depreciation. Depreciation is provided over estimated service lives on the straight line basis. Maintenance and repairs are charged to operations as incurred; significant improvements are capitalized.

Net Assets:

Net assets are reported in two classes based on the absence or existence of donor-imposed restrictions. Net assets with donor restrictions include net assets whose use has been limited by donors for a specific time period, purpose, or to be maintained by Catholic Charities in perpetuity.

Functional Expense Allocations:

Expenses have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. These costs include depreciation and certain occupancy costs, which are allocated on a square footage basis; salaries and benefits, which are allocated on the basis of estimates of time and effort; and supplies, computer fees and utilities, which are allocated based on the program's proportion of salaries.

Use of Estimates:

The preparation of the combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the combined financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications:

The financial statements for the year ended June 30, 2021 have been reclassified to conform with the presentation adopted for June 30, 2022.

2. Receivables:

	2022	2021
Contributions	\$ 2,923,134	\$ 1,902,912
Service fees	935,499	715,313
Government agencies and other	4,291,513	4,045,618
	<u>8,150,146</u>	<u>6,663,843</u>
Less allowance for estimated uncollectible contributions	443,000	394,000
	<u>\$ 7,707,146</u>	<u>\$ 6,269,843</u>

3. Investments:

	2022	2021
Marketable securities:		
Money market funds	\$ 4,602,731	\$ 7,256,796
Corporate bonds	517,861	672,959
U.S. Government securities	895,205	841,430
Mutual funds	3,259,848	2,755,260
Common stock	7,835,150	8,598,002
Interest in assets held by others (see below)	4,690,739	5,504,497
	<u>\$ 21,801,534</u>	<u>\$ 25,628,944</u>

The following summarizes investment return of marketable securities included as other investment income (loss) in the statements of activities:

	2022	2021
Dividends and interest	\$ 211,423	\$ 752,991
Net realized and unrealized gains (losses)	(965,972)	2,009,834
	<u>\$ (754,549)</u>	<u>\$ 2,762,825</u>

Interest in assets held by others consist of the following:

	2022	2021
St. Joseph Investment Fund	\$ 2,231,948	\$ 2,537,056
The Foundation of the Roman Catholic Diocese of Buffalo, N.Y. Inc.	2,458,791	2,967,441
	<u>\$ 4,690,739</u>	<u>\$ 5,504,497</u>

The St. Joseph Investment Fund (the Fund) was organized by the Diocese and provides diocesan organizations the opportunity to invest in diversified investment portfolios. Assets invested in the fund are pooled in a short-term fund designed to provide liquidity and a long-term fund to provide growth. Investment managers follow investment guidelines described in the Fund’s “Offering Circular and Investment Agreement,” which also specifies a policy for the strategic allocation of Fund investments. Values are based on Catholic Charities’ contributions, plus its allocable share of the investment’s net income or loss, less any withdrawals or distributions. The underlying holdings of the Fund are based on various investment strategies. Redemptions can be made daily on the short-term fund and on the first business day of each quarter for the long-term fund. Essentially all investments are in the long-term fund.

Pursuant to an agreement dated October 25, 2002, Catholic Charities of Buffalo, N.Y. Foundation, Inc. (Catholic Charities Foundation) merged with the Foundation for the Roman Catholic Diocese of Buffalo, N.Y. Inc. (the Foundation). Pursuant to this agreement, a separate fund or burse was established at the Foundation to receive the net assets of the Catholic Charities Foundation “to be used for the same donor and corporate purpose and with the same donor restrictions applicable to those assets” prior to the transfer. Assets maintained in this separate fund by the Foundation are primarily invested in the St. Joseph Investment Fund by the Foundation. The Foundation, at the discretion of its independent Board of Trustees, makes unrestricted distributions to Catholic Charities, based on the three prior years’ average investment performance and return, not to exceed 5%. Essentially all of the net assets held by the Foundation are presented with purpose, time or perpetuity restrictions.

4. Property and Equipment:

	2022	2021
Land and buildings	\$ 11,035,087	\$ 11,046,120
Equipment and vehicles	1,277,718	1,297,810
Leasehold improvements	745,502	679,489
	<u>13,058,307</u>	13,023,419
Less accumulated depreciation	5,451,016	5,054,333
	<u>\$ 7,607,291</u>	\$ 7,969,086

5. Short-Term Borrowings:

Catholic Charities has available a \$1,000,000 revolving bank demand note for working capital with interest at LIBOR plus 1.85%, secured by deposits held at the bank. No amounts were outstanding at June 30, 2022 and 2021.

6. Long-Term Debt:

	2022	2021
Mortgage note payable to seller of real property, monthly installments of \$2,396 including interest at 5.15% through September 2025, secured by related property.	\$ 85,880	\$ 109,544

Aggregate annual maturities of long-term debt subsequent to June 30, 2022 are as follows:

2023	\$ 24,911
2024	26,225
2025	27,608
2026	7,136
	<u>\$ 85,880</u>

7. Paycheck Protection Program Loans:

In April 2020, Catholic Charities of Buffalo, N.Y. and Monsignor Carr Institute received loans totaling \$3,743,964 and \$788,877, respectively, from the Small Business Administration (SBA) under the Paycheck Protection Program (PPP) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The Catholic Charities of Buffalo, N.Y. loan was forgiven in July 2021 and the Monsignor Carr loan was forgiven in February 2021. Loan proceeds of \$3,734,964 and \$788,877 are recognized as contributions revenue in the accompanying 2022 and 2021 statements of activities, respectively. The SBA has indicated PPP loans exceeding \$2 million may be subject to future audit.

8. Net Assets With Donor Restrictions:

Net assets with donor restrictions at June 30, 2022 and 2021 are available for the following purposes:

	2022	2021
Annual appeal	\$ 9,232,475	\$ 8,809,189
Time and purpose restrictions	-	1,789
Perpetuity	7,161	7,161
The Foundation:		
Time restricted	2,141,008	2,649,658
Perpetuity	317,783	317,783
	<u>\$ 11,698,427</u>	<u>\$ 11,785,580</u>

The Board of Trustees of Catholic Charities has interpreted the New York Prudent Management of Institutional Funds Act (NYPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, Catholic Charities classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment corpus, (b) the original value of subsequent gifts to the endowment corpus, and (c) accumulations to the endowment corpus made in accordance with the direction of a donor gift instrument at the time the accumulation is added to the fund. In accordance with NYPMIFA, Catholic Charities considers the following factors to appropriate or accumulate donor-restricted endowment funds:

- Duration and preservation of the fund
- Purposes of Catholic Charities and the fund
- General economic conditions
- Possible effect of inflation and deflation
- Expected total return from income and appreciation of investments
- Other resources of Catholic Charities
- Investment policy of Catholic Charities
- Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on Catholic Charities

Catholic Charities has adopted investment and spending policies for endowment assets that attempt to provide a reasonable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of its endowment assets. Endowment assets include those assets of donor-restricted funds that Catholic Charities must hold in perpetuity or for donor-specified periods.

Income earned from the investment of net assets with donor restrictions is expendable primarily for student scholarships. All investment earnings on net assets with donor restrictions were appropriated and reported within net assets without donor restrictions for the years ended June 30, 2022 and 2021.

9. Contributed Nonfinancial Assets:

Catholic Charities recognizes in-kind services as contributions if the services create or enhance non-financial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by Catholic Charities. During the years ended June 30, 2022 and 2021, contributed nonfinancial assets recognized within the statements of activities include:

	<u>2022</u>	<u>2021</u>
Food	\$ 1,701,464	\$ 2,426,307
Advertising	115,559	141,398
	<u>\$ 1,817,023</u>	<u>\$ 2,567,705</u>

Contributed food is distributed in community food pantries and contributed advertising promotes the annual appeal. Catholic Charities records the contributions based on estimated fair value of the nonfinancial asset at time of donation.

A large number of volunteers have contributed services throughout the year that are not reported as contributions in the financial statements since the recognition criteria under generally accepted accounting principles were not met.

10. Pension Plans:

Catholic Charities contributes to the Diocese of Buffalo, New York Retirement Plan (the Plan), a frozen defined benefit pension plan in conjunction with the Diocese and other diocesan organizations. Catholic Charities does not directly manage the Plan, which is managed by a board of trustees. A majority of Catholic Charities' employees were participants in the Plan on January 1, 2016, when the Plan was frozen.

The Plan is organized as a nonelecting noncontributory church retirement plan, and therefore the Plan is not subject to certain reporting requirements of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

The risks of participating in a multiemployer plan are different from a single employer plan in the following aspects: (1) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers; (2) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers; (3) if any employer chooses to stop participating in a multiemployer plan, the company may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability. If a plan were to terminate, if participants voluntarily withdrew or there was a mass withdrawal, Catholic Charities may also be required to make additional payments to the plan for its proportionate share of underfunded liabilities.

The following table presents information on the plan and Catholic Charities' participation in the Plan (\$000s omitted):

Plan Employer Identification and Plan Number	Plan Funded Status as of December 31, 2021		Catholic Charities' Contributions for the Years ended June 30:		Total Plan Contributions for the Years ended December 31:		Catholic Charities' contributions greater than 5%?	
	Assets	Actuarial Present Value of Accumulated Benefits	2021	2020	2021	2020		
Diocese of Buffalo, New York Retirement Plan	16-0743984/002	\$ 148,307	\$ 160,191	\$ 741	\$ 688	\$ 5,674	\$ 5,810	Yes

The Plan's accumulated benefit obligations are determined annually by the Plan's actuary. Significant actuarial assumptions used for the Plan include a discount rate of 6.0% and an expected rate of investment return of 6.0%.

The Plan is 93% funded as of December 31, 2021, the most recent actuarial valuation date. The Plan's certified zone status is not available since the Plan is not subject to ERISA reporting requirements.

Catholic Charities also participates in a defined contribution plan administered by the Diocese of Buffalo which was established January 1, 2016. Employer contributions consist of a 100% employee deferral match, up to 1% of compensation, plus a core contribution based on age and years of service for eligible employees. Defined contribution plan expense totaled \$560,000 and \$569,000 for the years ended June 30, 2022 and 2021.

Catholic Charities also administers a noncontributory 403(b) plan for the benefit of employees. Employees may contribute a percentage of eligible salaries to the plan subject to certain limitations.

11. Postretirement Health Benefits:

Catholic Charities provides a postemployment health care plan (the OPEB Plan) for retirees hired by December 31, 2015 who have reached age 62 and were employed for 15 or 20 years, depending on date of hire. Effective July 1, 2018, members of the senior management team are eligible for benefits if they were employed for a minimum of three years and retire at age 65. Catholic Charities' policy is to fund these benefits as paid. Catholic Charities uses a June 30th measurement date for the OPEB Plan.

Effective January 1, 2016, the OPEB Plan provides a former key employee and spouse with lifetime health insurance coverage and also provides \$2,000 each be paid annually to other eligible retirees and spouses, with payments beginning when the retiree reaches age 65 and continuing until the retiree's death.

The status of the OPEB Plan at and for the years ended June 30, 2022 and 2021 is as follows:

	2022	2021
Accumulated postretirement benefit obligation (APBO)	\$ 3,253,000	\$ 3,520,000
Accrued postretirement health benefit obligation	\$ 3,253,000	\$ 3,520,000
Accumulated adjustment to net assets without donor restrictions	\$ 1,303,000	\$ 1,356,000
Benefit cost (income)	\$ (105,000)	\$ (80,000)
Benefits paid	\$ 214,000	\$ 200,000

At June 30, 2022 and 2021, the following items included as adjustments to net assets without donor restrictions had not yet been recognized as components of employee benefit expense:

	2022	2021
Net loss	\$ (1,268,000)	\$ (1,662,000)
Prior service credit	2,571,000	3,018,000
	\$ 1,303,000	\$ 1,356,000

The actuarial calculations reflect a long-term perspective and use techniques designed to reduce short-term volatility in actuarial accrued liabilities. A summary of the methods and assumptions is as follows:

	<u>2022</u>	<u>2021</u>
Weighted average assumptions used to determine benefit obligation:		
Discount rate	4.50%	3.25%
Weighted average assumptions used to determine net periodic benefit cost:		
Discount rate	3.25%	3.25%
Expected future benefit payments:		
2023	\$ 236,000	
2024	241,000	
2025	245,000	
2026	249,000	
2027	242,000	
2028-2032	1,131,000	
	<u>\$ 2,344,000</u>	

12. Related Party Transactions:

Pursuant to a shared services agreement, the Diocese provides certain administrative and support services to Catholic Charities related to the annual appeal. Allocated shared costs related to this agreement and paid to the Diocese totaled \$124,000 and \$121,000 for the years ended June 30, 2022 and 2021. Additionally, Catholic Charities reimbursed the Diocese \$880,000 and \$807,000 in 2022 and 2021 for insurance purchased on its behalf.

13. Lease Obligations:

Catholic Charities leases space and vehicles under the terms of operating leases. Rental expense for all operating leases totaled \$869,000 and \$882,000 for the years ended June 30, 2022 and 2021.

Future minimum rentals to be paid for noncancellable operating leases are:

2023	\$ 640,000
2024	433,000
2025	251,000
2026	102,000
2027	3,000
	<u>\$ 1,429,000</u>

14. Cash Flows Information:

Net cash flows from operating activities reflect cash payments for interest of \$5,088 and \$11,673 for the years ended June 30, 2022 and 2021, which approximates interest expense.

15. Contingencies:

Catholic Charities is a recipient of numerous Federal and State governmental grants. The grant programs are administered by various agencies, and are subject to compliance and financial audits by the respective agencies administering the grant. Management of Catholic Charities believes it has substantially complied with the rules and regulations as specified under the program agreements as well as the rules and regulations of the respective agency for each program.

A significant amount of Catholic Charities' operations are funded by government programs. As such, the resource provider may hold a reversionary interest in certain assets of Catholic Charities in the event of disposition.

Catholic Charities and certain related organizations are involved in legal proceedings, the outcome of which cannot be determined at this time.

16. Financial Assets Available for Operating Purposes:

Catholic Charities obtains financial assets generally through contributions, including an annual appeal, and service fees. The financial assets are acquired throughout the year to help meet Catholic Charities' cash needs for general expenditures. If necessary, Catholic Charities also has access to a \$1,000,000 revolving bank demand note (Note 5).

Catholic Charities' financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consist of the following amounts at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash	\$ 3,310,003	\$ 2,193,592
Receivables, net	7,707,146	6,269,843
Investments	10,103,107	13,843,364
	<u>\$ 21,120,256</u>	<u>\$ 22,306,799</u>

17. Risks and Uncertainties due to COVID-19:

On January 31, 2020, the United States Secretary of Health and Human Services (HHS) declared a public health emergency related to the global spread of coronavirus COVID-19, and a pandemic was declared by the World Health Organization in February 2020. Efforts to fight the widespread disease included limiting or closing many businesses and resulted in a severe disruption of operations for most organizations.

Beginning in March 2020 and continuing through 2022, Catholic Charities transitioned to providing many services remotely, including telehealth which allows patients to access virtual health care. As a result, Catholic Charities' government grant and service fee revenues for the years ended June 30, 2022 and 2021 were not significantly impacted. The pandemic closed Catholic churches in March 2020, which negatively impacted the success of the annual appeal in 2020. Churches reopened during 2021, positively impacting the 2021 and 2022 appeals. The continuation of program funding and PPP loans (Note 7) allowed Catholic Charities to maintain employment levels during the pandemic.

The extent of the impact of COVID-19 on Catholic Charities' operational and financial performance will depend on further developments, including the duration and spread of the outbreak, impact on clients and patients, contributors, employees, and vendors, all of which cannot be predicted.