



Independent Auditor's Report,
Consolidated Financial Statements,
Supplementary Information,
and
Single Audit Information

June 30, 2019 and 2018

Catholic Charities

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Independent Auditor's Report

Board of Directors
Catholic Charities

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Catholic Charities and its subsidiaries Hibernian House and CC Housing, Inc. (collectively “Catholic Charities”, a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Catholic Charities’ preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Catholic Charities’ internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Catholic Charities as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements on pages 27-29 are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2019, on our consideration of Catholic Charities' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Catholic Charities' internal control over financial reporting and compliance.

Loftis Group ^{LLC}

Albuquerque, New Mexico
October 28, 2019

Consolidated Financial Statements

Catholic Charities
Consolidated Statements of Financial Position
June 30,

	2019	2018
Assets		
Current assets		
Cash and cash equivalents	\$ 189,411	\$ 202,784
Accounts receivable, net	15,273	7,708
Contracts and grants receivable, net	277,639	304,444
Unconditional promises to give, current portion	102,748	191,124
Prepaid rent, current portion	1,500	1,500
Total current assets	586,571	707,560
Noncurrent assets		
Replacement reserves	162,512	153,453
Agency trust deposits	28,794	32,220
Security deposits	5,212	4,882
Unconditional promises to give, net of unamortized discount and current portion	16,223	8,193
Prepaid rent, net of current portion	65,875	67,375
Property and equipment, net	7,296,045	7,464,146
Total noncurrent assets	7,574,661	7,730,269
Total assets	\$ 8,161,232	\$ 8,437,829
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 114,693	\$ 58,496
Payroll and related liabilities	105,251	149,985
Accrued paid time off	126,546	120,591
Deferred revenue	121	454
Line of credit	-	449,748
Long-term debt, current portion	91,265	91,009
Total current liabilities	437,876	870,283
Noncurrent liabilities		
Security deposits	4,255	4,718
Capital advance from the U.S. Department of Housing and Urban Development	1,183,300	1,183,300
Long-term debt, net of current portion and unamortized debt issuance costs	2,766,502	2,860,258
Total noncurrent liabilities	3,954,057	4,048,276
Total liabilities	4,391,933	4,918,559
Net assets		
Without donor restrictions	3,495,866	3,274,338
With donor restrictions	273,433	244,932
Total net assets	3,769,299	3,519,270
Total liabilities and net assets	\$ 8,161,232	\$ 8,437,829

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

Catholic Charities
Consolidated Statement of Activities
For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contracts and grants			
Federal	\$ 1,655,153	\$ -	\$ 1,655,153
Non-federal	3,285,395	-	3,285,395
Total contracts and grants	4,940,548	-	4,940,548
Contributions			
Monetary	916,875	178,809	1,095,684
Archdiocese of Santa Fe	330,000	-	330,000
In-kind	263,502	-	263,502
United Way	37,809	-	37,809
Total contributions	1,548,186	178,809	1,726,995
Other support and revenue			
Program fees	776,386	-	776,386
Special events, net of donor benefit	111,672	-	111,672
Rental income	49,406	-	49,406
Other income	58,789	-	58,789
Gain on disposal of equipment	9,519	-	9,519
Investment income	297	-	297
Total other support and revenue	1,006,069	-	1,006,069
Net assets released from restrictions	150,308	(150,308)	-
Total support and revenue	7,645,111	28,501	7,673,612
Expenses			
Program services			
Self-sufficiency and housing assistance	1,489,676	-	1,489,676
Educational opportunity	596,613	-	596,613
Children's learning center	847,762	-	847,762
Immigration and citizenship legal assistance	517,231	-	517,231
Refugee resettlement and support	287,659	-	287,659
Community involvement	172,705	-	172,705
Hibernian House	102,232	-	102,232
Generations at West Mesa	2,197,730	-	2,197,730
Total program services	6,211,608	-	6,211,608
Supporting services			
Management and general	892,932	-	892,932
Fundraising	319,043	-	319,043
Total supporting services	1,211,975	-	1,211,975
Total expenses	7,423,583	-	7,423,583
Change in net assets	221,528	28,501	250,029
Net assets, beginning of year	3,274,338	244,932	3,519,270
Net assets, end of year	\$ 3,495,866	\$ 273,433	\$ 3,769,299

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

Catholic Charities
Consolidated Statement of Activities
For the Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contracts and grants			
Federal	\$ 1,743,244	\$ -	\$ 1,743,244
Non-federal	1,064,997	-	1,064,997
Total contracts and grants	2,808,241	-	2,808,241
Contributions			
Monetary	643,138	71,190	714,328
Archdiocese of Santa Fe	390,000	-	390,000
In-kind	254,298	-	254,298
United Way	35,889	-	35,889
Total contributions	1,323,325	71,190	1,394,515
Other support and revenue			
Program fees	541,927	-	541,927
Special events, net of donor benefit	101,457	-	101,457
Rental income	50,139	-	50,139
Other income	22,085	-	22,085
Loss on disposal of equipment	(6,754)	-	(6,754)
Investment income	155	-	155
Total other support and revenue	709,009	-	709,009
Net assets released from restrictions	186,826	(186,826)	-
Total support and revenue	5,027,401	(115,636)	4,911,765
Expenses			
Program services			
Self-sufficiency and housing assistance	1,442,200	-	1,442,200
Educational opportunity	630,526	-	630,526
Children's learning center	756,202	-	756,202
Immigration and citizenship legal assistance	519,739	-	519,739
Refugee resettlement and support	181,783	-	181,783
Community involvement	161,571	-	161,571
Hibernian House	114,039	-	114,039
Affordable housing	93,395	-	93,395
Total program services	3,899,455	-	3,899,455
Supporting services			
Management and general	875,240	-	875,240
Fundraising	298,964	-	298,964
Total supporting services	1,174,204	-	1,174,204
Total expenses	5,073,659	-	5,073,659
Change in net assets	(46,258)	(115,636)	(161,894)
Net assets, beginning of year	3,320,596	360,568	3,681,164
Net assets, end of year	\$ 3,274,338	\$ 244,932	\$ 3,519,270

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

Catholic Charities
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2019

	Program Services						
	Self-Sufficiency and Housing Assistance	Educational Opportunity	Children's Learning Center	Immigration/ Citizenship Assistance	Refugee Resettlement and Support	Community Involvement	Hibernian House
Special assistance	\$ 759,309	\$ -	\$ -	\$ -	\$ 82,228	\$ 9,143	\$ -
Salaries, payroll taxes, and benefits	423,186	431,738	636,702	381,825	129,432	120,846	28,072
Contract services	101,406	8,950	16,522	36,406	6,632	2,136	9,279
In-kind	94,066	-	6,410	-	36,834	9,451	-
Repairs and maintenance	26,440	38,502	18,420	15,893	7,396	7,992	7,638
Interest	-	-	-	-	-	-	-
Utilities and telephone	24,120	11,544	12,150	12,824	6,298	4,629	8,986
Supplies	2,625	34,592	19,400	2,200	2,682	490	7,470
Food	-	-	57,973	-	-	-	-
Travel, meetings and conferences	4,142	1,570	933	9,459	6,241	4,423	1,001
Dues and subscriptions	1,168	5,111	7,818	2,354	959	1,378	-
Insurance	10,285	2,847	3,992	2,849	1,219	1,350	4,028
Printing and related equipment lease	1,653	1,731	725	3,074	-	194	-
Audit and accounting fees	7,835	3,108	3,716	2,708	1,256	841	-
Legal	-	-	194	310	-	-	1,153
Bank fees	-	2,550	3,873	3,767	-	-	-
Special event	13,200	-	-	1,500	-	-	691
Staff development	1,903	635	3,627	4,430	260	90	47
Postage	127	29	6	9,067	289	667	-
Advertising and marketing	-	-	-	-	-	180	-
Miscellaneous	-	90	3	755	-	200	6,390
Employee/volunteer appreciation	211	-	940	244	-	1,034	-
Rent	-	668	1,855	-	782	180	-
Bad debt expense	820	-	-	-	-	-	-
Total expenses before depreciation and amortization	<u>1,472,496</u>	<u>543,665</u>	<u>795,259</u>	<u>489,665</u>	<u>282,508</u>	<u>165,224</u>	<u>74,755</u>
Depreciation and amortization	<u>17,180</u>	<u>52,948</u>	<u>52,503</u>	<u>27,566</u>	<u>5,151</u>	<u>7,481</u>	<u>27,477</u>
Total expenses	<u>\$ 1,489,676</u>	<u>\$ 596,613</u>	<u>\$ 847,762</u>	<u>\$ 517,231</u>	<u>\$ 287,659</u>	<u>\$ 172,705</u>	<u>\$ 102,232</u>

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

Catholic Charities
Consolidated Statement of Functional Expenses – continued
For the Year Ended June 30, 2019

	Program Services		Supporting Services			Total Expenses
	Affordable Housing	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Special assistance	\$ 2,097,307	2,947,987	\$ -	\$ -	\$ -	\$ 2,947,987
Salaries, payroll taxes, and benefits	85,284	2,237,085	557,583	137,697	695,280	2,932,365
Contract services	1,207	182,538	12,985	6,632	19,617	202,155
In-kind	-	146,761	312	116,429	116,741	263,502
Repairs and maintenance	1,403	123,684	51,205	6,218	57,423	181,107
Interest	-	-	118,511	-	118,511	118,511
Utilities and telephone	1,304	81,855	21,131	5,204	26,335	108,190
Supplies	129	69,588	2,241	1,109	3,350	72,938
Food	-	57,973	-	-	-	57,973
Travel, meetings and conferences	207	27,976	12,702	576	13,278	41,254
Dues and subscriptions	106	18,894	13,181	975	14,156	33,050
Insurance	421	26,991	4,146	1,518	5,664	32,655
Printing and related equipment lease	98	7,475	1,260	19,191	20,451	27,926
Audit and accounting fees	482	19,946	4,508	1,976	6,484	26,430
Legal	8,896	10,553	11,835	362	12,197	22,750
Bank fees	-	10,190	5,470	2,222	7,692	17,882
Special event	-	15,391	-	-	-	15,391
Staff development	300	11,292	1,770	601	2,371	13,663
Postage	2	10,187	209	2,720	2,929	13,116
Advertising and marketing	-	180	-	11,918	11,918	12,098
Miscellaneous	-	7,438	2,290	-	2,290	9,728
Employee/volunteer appreciation	-	2,429	6,720	401	7,121	9,550
Rent	-	3,485	1,461	655	2,116	5,601
Bad debt expense	-	820	3,300	-	3,300	4,120
Total expenses before depreciation and amortization	2,197,146	6,020,718	832,820	316,404	1,149,224	7,169,942
Depreciation and amortization	584	190,890	60,112	2,639	62,751	253,641
Total expenses	<u>\$ 2,197,730</u>	<u>\$ 6,211,608</u>	<u>\$ 892,932</u>	<u>\$ 319,043</u>	<u>\$ 1,211,975</u>	<u>\$ 7,423,583</u>

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

Catholic Charities
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2018

	Program Services						
	Self-Sufficiency and Housing Assistance	Educational Opportunity	Children's Learning Center	Immigration/ Citizenship Assistance	Refugee Resettlement and Support	Community Involvement	Hibernian House
Special assistance	\$ 755,712	\$ -	\$ -	\$ -	\$ 1,214	\$ 6,005	\$ -
Salaries, payroll taxes, and benefits	420,490	469,507	572,290	394,751	107,066	108,339	31,008
Contract services	75,646	1,518	1,033	24,012	4,202	272	9,353
In-kind	75,734	1,789	5,260	-	29,521	19,956	-
Repairs and maintenance	32,055	14,020	15,361	16,076	10,829	2,981	11,224
Interest	-	-	-	-	-	-	-
Utilities and telephone	23,865	12,336	9,367	12,924	8,357	4,555	8,079
Supplies	2,312	49,209	30,154	1,894	1,031	1,506	5,454
Food	-	-	39,713	-	-	-	-
Travel, meetings and conferences	3,637	1,256	4,014	5,614	1,161	4,540	943
Dues and subscriptions	1,051	1,196	4,391	3,510	1,673	897	-
Insurance	8,515	2,486	2,367	4,654	4,127	1,053	3,979
Printing and related equipment lease	1,276	1,103	486	3,814	524	461	-
Audit and accounting fees	7,575	2,985	2,908	3,168	2,793	746	5,144
Legal	-	-	729	-	-	-	51
Bank fees	-	2,273	2,745	2,745	-	-	-
Special event	-	-	-	-	-	-	-
Staff development	1,568	125	4,863	2,866	87	154	111
Postage	97	175	110	8,504	282	765	6
Advertising and marketing	123	49	47	52	46	62	30
Miscellaneous	27	12	-	2,872	-	-	10,529
Employee/volunteer appreciation	-	143	599	208	-	160	-
Rent	11,000	-	-	1,500	-	-	416
Bad debt expense	-	-	-	-	-	-	-
Total expenses before depreciation and amortization	<u>1,420,683</u>	<u>560,182</u>	<u>696,437</u>	<u>489,164</u>	<u>172,913</u>	<u>152,452</u>	<u>86,327</u>
Depreciation and amortization	<u>21,517</u>	<u>70,344</u>	<u>59,765</u>	<u>30,575</u>	<u>8,870</u>	<u>9,119</u>	<u>27,712</u>
Total expenses	<u>\$ 1,442,200</u>	<u>\$ 630,526</u>	<u>\$ 756,202</u>	<u>\$ 519,739</u>	<u>\$ 181,783</u>	<u>\$ 161,571</u>	<u>\$ 114,039</u>

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

Catholic Charities
Consolidated Statement of Functional Expenses – continued
For the Year Ended June 30, 2018

	Program Services		Supporting Services			
	Total		Management		Total	
	Affordable Housing	Program Services	and General	Fundraising	Supporting Services	Total Expenses
Special assistance	\$ -	762,931	\$ -	\$ -	\$ -	\$ 762,931
Salaries, payroll taxes, and benefits	74,344	2,177,795	571,782	120,773	692,555	2,870,350
Contract services	130	116,166	2,969	2,189	5,158	121,324
In-kind	-	132,260	16,195	105,843	122,038	254,298
Repairs and maintenance	1,399	103,945	27,972	10,226	38,198	142,143
Interest	-	-	131,074	-	131,074	131,074
Utilities and telephone	1,270	80,753	19,418	6,079	25,497	106,250
Supplies	107	91,667	2,412	880	3,292	94,959
Food	-	39,713	-	-	-	39,713
Travel, meetings and conferences	51	21,216	5,003	945	5,948	27,164
Dues and subscriptions	971	13,689	10,111	1,325	11,436	25,125
Insurance	303	27,484	3,449	2,303	5,752	33,236
Printing and related equipment lease	63	7,727	1,404	14,881	16,285	24,012
Audit and accounting fees	1,188	26,507	4,008	2,854	6,862	33,369
Legal	12,475	13,255	14,682	1,148	15,830	29,085
Bank fees	-	7,763	4,492	2,135	6,627	14,390
Special event	-	-	-	13,635	13,635	13,635
Staff development	99	9,873	1,819	25	1,844	11,717
Postage	236	10,175	1,384	1,582	2,966	13,141
Advertising and marketing	6	415	2,053	7,000	9,053	9,468
Miscellaneous	-	13,440	24,024	800	24,824	38,264
Employee/volunteer appreciation	-	1,110	3,970	1,218	5,188	6,298
Rent	-	12,916	-	348	348	13,264
Bad debt expense	-	-	3,689	-	3,689	3,689
Total expenses before depreciation and amortization	92,642	3,670,800	851,910	296,189	1,148,099	4,818,899
Depreciation and amortization	753	228,655	23,330	2,775	26,105	254,760
Total expenses	<u>\$ 93,395</u>	<u>\$ 3,899,455</u>	<u>\$ 875,240</u>	<u>\$ 298,964</u>	<u>\$ 1,174,204</u>	<u>\$ 5,073,659</u>

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

Catholic Charities
Consolidated Statements of Cash Flows
For the Years Ended June 30,

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Cash received from contracts and grants	\$ 4,967,020	\$ 2,738,218
Cash received from contributions	1,543,839	1,296,693
Cash received from program fees	768,821	547,077
Cash received from special events	111,672	101,457
Other cash received	111,125	55,564
Cash paid to employees and suppliers	(6,769,011)	(4,407,119)
Cash paid for interest	<u>(118,511)</u>	<u>(131,074)</u>
Net cash provided by operating activities	<u>614,955</u>	<u>200,816</u>
Cash flows from investing activities		
Deposits to reserve for replacements	(9,059)	(19,100)
Cash received from disposal of property and equipment	9,519	-
Purchases of property and equipment	<u>(82,838)</u>	<u>(98,363)</u>
Net cash used by investing activities	<u>(82,378)</u>	<u>(117,463)</u>
Cash flows from financing activities		
Net borrowings/repayments on line of credit	(449,748)	(170,252)
Principal payments on long-term debt	<u>(96,202)</u>	<u>(93,210)</u>
Net cash used by financing activities	<u>(545,950)</u>	<u>(263,462)</u>
Net decrease in cash and cash equivalents	(13,373)	(180,109)
Cash and cash equivalents, beginning of year	<u>202,784</u>	<u>382,893</u>
Cash and cash equivalents, end of year	<u>\$ 189,411</u>	<u>\$ 202,784</u>

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

Catholic Charities
Consolidated Statements of Cash Flows - continued
For the Years Ended June 30,

	2019	2018
Reconciliation of change in net assets to net cash provided by operating activities		
Change in net assets	<u>\$ 250,029</u>	<u>\$ (161,894)</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	253,641	254,760
Loss (gain) on disposal of equipment	(9,519)	6,754
Amortization of discount on unconditional promises to give	(3,150)	(5,056)
Amortization of prepaid rent	1,500	1,500
Provision for bad debts	4,120	3,689
Changes in assets and liabilities:		
Accounts receivable	(7,565)	5,150
Contracts and grants receivable	26,805	(69,747)
Unconditional promises to give	79,376	157,843
Agency trust deposits	3,426	(16,753)
Security deposits	(330)	(181)
Accounts payable	56,197	(24,617)
Payroll and related liabilities	(44,734)	30,438
Accrued paid time off	5,955	19,087
Deferred revenue	(333)	(276)
Security deposits	(463)	119
Total adjustments	<u>364,926</u>	<u>362,710</u>
Net cash provided by operating activities	<u>\$ 614,955</u>	<u>\$ 200,816</u>
 Supplemental disclosure of noncash activities		
In-kind contributions of materials, supplies, and services	<u>\$ 263,502</u>	<u>\$ 254,298</u>

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

Catholic Charities
Notes to the Consolidated Financial Statements
June 30, 2019 and 2018

1) Organization and Nature of Activities

Catholic Charities was incorporated in 1946, and is a faith-based non-profit tax-exempt organization. Catholic Charities is a member of Catholic Charities, USA, the largest nonprofit human services network in the United States. Catholic Charities provides help and creates hope by promoting self-sufficiency, strengthening families, fighting poverty, and building community.

During fiscal year 2002, Catholic Charities assumed control of Hibernian House of New Mexico, Inc. (Hibernian House). The project is operated under Section 202 of the National Housing Act and regulated by the U.S. Department of Housing and Urban Development (HUD) with respect to rental charges and operating methods.

During fiscal year 2016, Catholic Charities formed CC Housing, Inc. to provide affordable housing, housing counseling, economic development, and opportunities for youth, families and the elderly.

The consolidated financial statements include the accounts of Catholic Charities, Hibernian House and CC Housing, Inc., collectively referred to as “Catholic Charities.” Intercompany accounts and transactions are eliminated in consolidation.

Catholic Charities operates the following social service programs:

Self-Sufficiency and Housing Assistance

- ◆ *Proyecto La Luz*: Supportive Transitional Housing helps homeless women and children in Bernalillo County gain secure housing, while assisting parents with employment and other services.
- ◆ *Partners in Housing*: A permanent housing for chronically homeless persons with a disabling condition. The purpose of this supportive housing program is to enable this special-needs population to live as independently as possible in a permanent setting.
- ◆ *Homeless Prevention and Rapid Re-Housing*: The program provides assistance to individuals and families meeting specific requirements.
- ◆ *Rental Assistance Program (RAP)*: The program provides up to eleven months of rental assistance, case management, and life skills education to individuals meeting specific requirements.

Educational Opportunity

- ◆ *Adult Basic Education*: Classes include English as a second language, citizenship classes, adult basic education, Spanish GED, computer classes, and workplace literacy, including collaboration with Albuquerque Public Schools through Title I projects, and the UNM HEP project.

Catholic Charities
Notes to the Consolidated Financial Statements
June 30, 2019 and 2018

1) Organization and Nature of Activities – continued

Children’s Learning Center

- ◆ *Children’s Learning Center:* The Children’s Learning Center is a five-star licensed and accredited bilingual preschool program providing Early Head Start and Childcare services for children ages 6 weeks to 12 years. Early Head Start and Childcare programs are provided by trained and certified staff.

Immigration and Citizenship Legal Assistance

- ◆ *Immigration Services:* The services focus on family unification and immigrant victims of domestic violence. Free legal assistance is provided for immigrants who are victims of domestic violence. Citizenship classes, case management, information, and referral are part of the program.

Refugee Resettlement and Support

- ◆ *Refugee Support:* The Center for Refugee Support provides youth mentoring, English practice, and general cultural orientation to refugee families who have fled persecution around the world and found a home in Albuquerque. Our programs connect volunteers with refugee families for support, friendship, and encouragement toward self-sufficiency.
- ◆ *Refugee Youth Program:* This after school and summer program for mid-school and high school refugee youth provides tutoring, English language classes, citizenship classes, and the support of caring staff and volunteers.

Community Involvement

- ◆ *Senior Transportation Services:* The program provides seniors with companionship and enables them to lead productive, independent lives by providing weekly transportation to medical appointments, government offices, banks, pharmacies, and grocery stores. Volunteer drivers are literally the “driving force” behind this program. All have clean driving records and provide transportation free of charge.
- ◆ *Parish and Faith Community Outreach:* Staff and volunteers work with Catholic and non-Catholic institutions to fortify their commitment to social justice by strengthening and developing reciprocal relationships through education, relationship building, and unique projects designed to enrich both Catholic Charities and the faith communities.

Hibernian House

- ◆ *Hibernian House:* A 20-unit supportive housing development for low-income seniors in Albuquerque.

Catholic Charities
Notes to the Consolidated Financial Statements
June 30, 2019 and 2018

1) Organization and Nature of Activities – continued

Affordable Housing

- ◆ *Generations at West Mesa:* Generations at West Mesa is an affordable housing development for grandparents raising grandchildren. Generations at West Mesa shall consist of a 54-unit mixed-income, senior rental development. Of the 54 units, 45 are restricted to households earning 30%, 50%, and 60% of area median income, along with 9 unrestricted market rate units. The units will be a mix of 1, 2, and 3-bedroom units that will serve the needs of seniors at a variety of income levels over the age of 62, with a particular emphasis on seniors over the age of 75 and grandparents raising grandchildren. Catholic Charities will be providing other supportive services on site.

2) **Summary of Significant Accounting Policies**

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables and liabilities.

Basis of Presentation

The accompanying consolidated financial statements are presented in accordance with the accounting and reporting standards required by Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) ASC 958, *Not for Profit Entities*. FASB ASC 958 requires Catholic Charities to report information regarding its financial position and activities according to the following classes of net assets:

- ◆ *Net assets without donor restrictions* represent the portion of Catholic Charities' net assets that are not restricted by donor-imposed stipulations and are available for operations at management's discretion. All contributions made to Catholic Charities are considered to be received without donor restrictions unless specifically restricted by the donor.
- ◆ *Net assets with donor restrictions* represents resources restricted by donors as to purpose or by the passage of time and resources whose use by Catholic Charities is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of Catholic Charities. See Note 11 for more information on Catholic Charities' net assets with donor restrictions.

Concentrations of Credit Risk

Catholic Charities maintains its cash depository accounts with various financial institutions. Balances in the accounts may, at times, exceed Federal or other insurance limits. Catholic Charities has not experienced, and believes it is not exposed to, significant credit risk from these deposits.

Catholic Charities
Notes to the Consolidated Financial Statements
June 30, 2019 and 2018

2) Summary of Significant Accounting Policies – continued

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates include the useful lives of capitalized assets and the related depreciation expense and the fair value of in-kind donations of services and materials.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, Catholic Charities considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Promises to Give

Contributions received, including unconditional promises to give, are recognized at fair value as revenues in the period received. Contributions received are recorded as net assets with or without donor restrictions depending on the existence and nature of any donor restrictions.

Promises to give are valued and initially recorded based on the estimated future cash flows based on historical experience. Promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount on those amounts are computed using risk-free interest rates ranging from 0.11% to 2.48%, as adjusted, where applicable for the assessed credit risk of the donation, applicable to the years in which the promises are received. Any subsequent adjustments to the valuation of promises to give are done through a provision for doubtful accounts.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. There were no outstanding conditional promises to give as of June 30, 2019 and 2018.

Accounts Receivable

Accounts receivable are recorded at net realizable value and are evaluated for collectability by using historical experience applied to an aging of the accounts. Generally, collateral is not required on receivables. Contractual terms determine when receivables become delinquent. Catholic Charities utilizes the allowance method to provide a valuation for estimated uncollectible accounts receivable.

Catholic Charities
Notes to the Consolidated Financial Statements
June 30, 2019 and 2018

2) Summary of Significant Accounting Policies – continued

Property and Equipment

All acquisitions of property and equipment and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets in excess of \$1,000 are capitalized. Property and equipment are carried at cost or, if donated, at the estimated fair value at the date of donation. Depreciation is computed using the straight-line method over useful lives ranging from three to thirty-nine years.

Impairment of Long-Lived Assets

Catholic Charities reviews its long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Accrued Paid Time Off

Qualified employees are entitled to accumulate paid time off (PTO) according to a graduated leave schedule depending on length of service and the employee's hire date. The maximum amount of PTO hours that employees may carry over to subsequent years is equal to the amount of PTO hours that the employee will earn during the employment year. Upon termination, up to 50% of each employees' annual accrued balance or 50% of their accrued PTO hours at the time of termination, whichever is less, will be paid.

Contracts and Grants Revenue

Revenue on contracts and grants is recognized when funds are spent in accordance with contractual provisions. Contracts and grants receivable represent amounts due for expenditures incurred prior to year-end, but not yet reimbursed.

Contributions

Cash contributions and grants that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction is satisfied in the reporting period in which the contributions and grants are received. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as "net assets released from restrictions".

Catholic Charities reports gifts of land, buildings, and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions.

Catholic Charities
Notes to the Consolidated Financial Statements
June 30, 2019 and 2018

2) Summary of Significant Accounting Policies – continued

Program Fees

Program fees are recognized as the services are performed. Services required in the senior support, homeless, and immigration programs are recorded at standard rates, less a sliding fee scale adjustment based on the clients' ability to pay.

Donated Services and Materials

Significant contributions of services are recorded if the services create or enhance non-financial assets or require specialized skills. Recognized contributed services are recorded at the fair value of the services on the date of donation. Significant donations of materials are recorded at their fair value on the date of donation. For the years ended June 30, 2019 and 2018, Catholic Charities reported in-kind donated services, supplies, materials, and property of \$263,502 and \$254,298, respectively, that met the revenue recognition criteria above.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include depreciation and amortization, which are allocated on the basis of the actual usage of equipment and the square footage of buildings. All other expenses are allocated directly to functions at the time expenses are incurred through the use of cost centers.

Income Taxes

Catholic Charities, CC Housing, Inc., and Hibernian House are non-profit corporations that are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. As such, their normal activities do not result in any income tax liability. Catholic Charities, CC Housing, Inc., and Hibernian House are each classified as other than a private foundation and file separate entity tax returns.

Catholic Charities applies the provisions of FASB ASC 740, *Income Taxes*. FASB ASC 740 provides detailed guidance for the financial statement recognition, measurement, and disclosure of uncertain tax positions in an entity's financial statements. Uncertain income tax positions must meet a more-likely-than-not recognition threshold to be recognized. Catholic Charities' policy is to classify income tax penalties and interest according to their natural classification rather than as income tax expense.

As of June 30, 2019 and 2018, management does not believe Catholic Charities has any uncertain tax positions that would require financial statement recognition, measurement, or disclosure under FASB ASC 740. Due to statutes of limitation, Catholic Charities, Hibernian House, and CC Housing, Inc.'s tax returns are no longer subject to examinations by tax authorities for fiscal years before 2016.

Catholic Charities
Notes to the Consolidated Financial Statements
June 30, 2019 and 2018

2) Summary of Significant Accounting Policies – continued

New Accounting Standard

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. During fiscal year 2019, management implemented ASU 2016-14 and adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

3) **Liquidity and Availability**

The following table reflects Catholic Charities' financial assets as of June 30, 2019 and 2018, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal board designations. Amounts not available to meet general expenditures within one year include unconditional promises to give expected to be collected between one and five years after the statement of financial position date.

	<u>2019</u>	<u>2018</u>
Financial assets, at year-end		
Cash and cash equivalents	\$ 189,411	\$ 202,784
Accounts receivable, net	15,273	7,708
Contracts and grants receivable, net	277,639	304,444
Unconditional promises to give	<u>118,971</u>	<u>199,317</u>
Total financial assets, at year-end	601,294	714,253
Less amounts unavailable for general expenditures within one year, due to donor-imposed restrictions	<u>(26,676)</u>	<u>(22,725)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 574,618</u>	<u>\$ 691,528</u>

To help manage unanticipated liquidity needs, Catholic Charities has access to a \$750,000 line of credit with a local bank. At June 30, 2019 and 2018, Catholic Charities had \$0 and \$449,748, respectively, in outstanding borrowings on the line. More information on the line of credit is available in Note 8.

Catholic Charities
Notes to the Consolidated Financial Statements
June 30, 2019 and 2018

4) Unconditional Promises to Give

Unconditional promises to give are as follows at June 30:

	<u>2019</u>	<u>2018</u>
Unconditional promises to give before unamortized discount and allowance	\$ 129,424	\$ 213,849
Less: Unamortized discount	(4,294)	(7,445)
Less: Allowance for doubtful accounts	<u>(6,159)</u>	<u>(7,087)</u>
Unconditional promises to give, net of unamortized discount and allowance	<u>\$ 118,971</u>	<u>\$ 199,317</u>
Amounts due in:		
One year or less	\$ 102,748	\$ 191,124
Between one year and five years	<u>26,676</u>	<u>22,725</u>
Unconditional promises to give before unamortized discount and allowance	<u>\$ 129,424</u>	<u>\$ 213,849</u>

5) Property and Equipment, Net

Property and equipment, net, consist of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Depreciable		
Buildings	\$ 7,008,783	\$ 7,008,783
Furniture, fixtures, and equipment	231,728	191,979
Leasehold improvements	297,076	288,577
Vehicles	190,452	151,612
Equipment acquired under capital leases	46,025	46,025
Less: Depreciation and amortization	<u>(1,222,171)</u>	<u>(971,232)</u>
Total depreciable property and equipment, net	6,551,893	6,715,744
Land	640,825	640,825
Artwork	103,327	103,327
Construction in progress	<u>-</u>	<u>4,250</u>
Property and equipment, net	<u>\$ 7,296,045</u>	<u>\$ 7,464,146</u>

Catholic Charities
Notes to the Consolidated Financial Statements
June 30, 2019 and 2018

6) Replacement Reserves

Under the Regulatory Agreement with the U.S. Department of Housing and Urban Development (HUD), the Hibernian House is required to set aside amounts for the replacement of property and other project expenditures approved by HUD. HUD restricted reserves of \$162,512 and \$153,453 at June 30, 2019 and 2018, respectively, are held in separate accounts and generally are not available for operating purposes. Use of the replacement reserve account is contingent upon HUD's prior written approval. There were no withdrawals from the reserve for related expenditures for the fiscal years ending June 30, 2019 and 2018.

7) Agency Trust Deposits

Catholic Charities utilizes the 501(c) Agencies Trust Unemployment program to help pay state unemployment claims. Under the program, Catholic Charities establishes a trust that is based on Catholic Charities' unemployment claims experience and gross annual payroll. The Agencies Trust then reimburses the state from the trust for the claim benefits paid to former employees. The amount on deposit to pay for future unemployment claims as of June 30, 2019 and 2018 is \$28,794 and \$32,220, respectively.

8) Line of Credit

Catholic Charities has a \$750,000 line of credit agreement with a local financial institution that renews in March 2020. The line carries interest at the bank's prime lending rate (5% plus 0.5% at June 30, 2019 and 2018) and is secured by deposit accounts, inventory, accounts receivable, and equipment. At June 30, 2019 and 2018, Catholic Charities had \$0 and \$449,748, respectively, in outstanding borrowings on the line. Catholic Charities is required to comply with certain financial covenants and provisions in connection with the line of credit. As of June 30, 2019, Catholic Charities was in compliance with all required covenants.

9) Capital Advance

Hibernian House received a capital advance from the U.S. Department of Housing and Urban Development in fiscal year 2003 for the construction of a building for housing to low-income elderly persons. The advance bears no interest and need not be repaid so long as Hibernian House continues to make the housing available for the elderly for at least 40 years from the date of the capital advance (fiscal year 2043). The advance is classified in the consolidated financial statements as a noncurrent liability. The advance program requires Hibernian House to escrow an amount equal to 0.5% of the capital advance, which is reported in the consolidated financial statements as a noncurrent asset.

Catholic Charities
Notes to the Consolidated Financial Statements
June 30, 2019 and 2018

10) Long-Term Debt

Long-term debt consists of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Industrial revenue bonds	\$ 2,344,741	\$ 2,415,343
Notes payable	567,465	583,339
Capital lease obligation	6,806	16,533
Less: Unamortized debt issuance costs	<u>(61,245)</u>	<u>(63,948)</u>
Total long-term debt, net of debt issuance costs	2,857,767	2,951,267
Current portion	<u>(91,265)</u>	<u>(91,009)</u>
Total long-term debt, net of current portion and debt issuance costs	<u>\$ 2,766,502</u>	<u>\$ 2,860,258</u>

Industrial Revenue Bonds

On January 26, 2016, Bernalillo County, New Mexico, issued its Industrial Revenue Bonds, Series 2016 totaling \$3,000,000. A bank purchased the bond and issued a loan in the amount of \$2,500,000 for a capital project for which Catholic Charities is the obligor. The loan was issued under a capital lease agreement structure, payable to the bank as trustee. Principal and interest is due in monthly installments at an initial interest at 3.47%, maturing March 2041, net of unamortized issuance costs of \$61,245 and \$63,948 at June 30, 2019 and 2018, respectively. Unamortized issuance costs are amortized to interest expense over the life of the loan. The effective interest rate does not differ significantly from the stated interest rate. The note is secured by the Casa de Corazon building.

The bond indenture places limits on the incurrence of additional borrowings and also requires that Catholic Charities satisfy certain measures of financial performance including debt service coverage, and hold certain insurance coverage as long as the bonds are outstanding. As of June 30, 2019, Catholic Charities was in compliance with all required covenants.

Note Payable

As of June 30, 2019, Catholic Charities has one note payable to a bank. The note is due in monthly installments of \$3,012, with an interest rate of 3.47%, maturing on May 1, 2027. At June 30, 2019 and 2018, Catholic Charities had \$567,465 and \$583,339, respectively, in outstanding borrowings on the note.

Capital Lease Obligation

Catholic Charities leases office equipment under capital leases expiring in fiscal year 2021. The assets and liabilities under capital leases are recorded at the present value of the minimum lease payments. At June 30, 2019 and 2018, Catholic Charities had \$6,806 and \$16,533, respectively, in outstanding borrowings on the capital leases.

Catholic Charities
Notes to the Consolidated Financial Statements
June 30, 2019 and 2018

10) Long-Term Debt – continued

Future principal payments on long-term debt as of June 30, 2019, are as follows:

	Principal	Interest	Total
2020	\$ 91,265	\$ 99,960	\$ 191,225
2021	88,980	96,869	185,849
2022	92,126	93,723	185,849
2023	95,383	90,466	185,849
2024	98,707	87,142	185,849
Thereafter	2,452,551	710,386	3,162,937
	<u>\$ 2,919,012</u>	<u>\$ 1,178,546</u>	<u>\$ 4,097,558</u>

11) **Operating Lease Commitments**

Catholic Charities has several non-cancelable operating leases, primarily for equipment and office space that expired at various dates. Rental expense was \$14,700 and \$12,848 for the years ended June 30, 2019 and 2018, respectively. In June 2014, Catholic Charities entered into a lease for space in Santa Fe with the Archdiocese of Santa Fe. The lease is for a fifty-year period expiring in June 2064. Catholic Charities prepaid the full amount of the rent of \$75,000 and is amortizing the prepaid rent over the life of the lease.

12) **Net Assets With Donor Restrictions**

Net assets with donor restrictions consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Restricted for time:		
Capital campaign	\$ 63,897	\$ 140,227
Pledges receivable	65,527	73,622
Restricted for purpose:		
Asylee seeker assistance	136,136	-
Education	4,226	21,293
Housing	-	5,000
Community outreach	3,647	4,790
Total net assets with donor restrictions	<u>\$ 273,433</u>	<u>\$ 244,932</u>

Catholic Charities
Notes to the Consolidated Financial Statements
June 30, 2019 and 2018

12) Net Assets With Donor Restrictions – continued

Net assets with donor restrictions are released from donor restrictions as expenses are incurred to satisfy the restricted purpose, or due to the passage of time, as follows:

	2019	2018
Time restriction accomplished:		
Capital campaign	\$ 76,330	\$ 82,645
Pledges receivable	42,895	56,378
United Way	-	35,000
Purpose restriction accomplished:		
Education	21,293	12,803
Housing	5,000	-
Community outreach	4,790	-
	\$ 150,308	\$ 186,826

13) **Commitments and Contingencies**

The grants and contracts administered by Catholic Charities are subject to a closing audit process by federal granting agencies subsequent to the end of a grant period. At this time, no reasonable estimate can be made as to adjustments, if any, in amounts due to or from grantors that may result from the closing process. Actual costs reported in the accompanying consolidated statements of activities, and for prior years since inception of ongoing grants, exceeded billed costs, and management believes no material reimbursements to granting agencies are due.

Catholic Charities receives a significant amount of its funding from federal grants from various agencies. Should Catholic Charities lose program funding, management believes that Catholic Charities would be able to receive similar program funding from other sources.

14) **Pension Plan**

Catholic Charities administers a participant directed non-contributory, defined contribution pension plan (401k plan) for its qualified employees. Catholic Charities contributes 5% of covered compensation to the plan. Employees qualify upon attaining the age of 21 and completing one plan year of employment of at least 1,000 hours. Benefits vest 100% after three plan years of employment. Pension plan expense totaled \$76,773 and \$89,257 for the years ended June 30, 2019 and 2018, respectively.

Catholic Charities
Notes to the Consolidated Financial Statements
June 30, 2019 and 2018

15) Management Fee

Hibernian House pays Monarch Properties, Inc. a management fee equal to 9.77% for 2019 and 2018 of residential income collected by Monarch Properties, Inc. Management fees amounted to \$9,279 and \$9,353 for the years ended June 30, 2019 and 2018, respectively.

16) Related Party Transactions

The Board of Directors of Catholic Charities manages its overall affairs through the direction of the Archbishop of the Archdiocese of Santa Fe.

The Archdiocese of Santa Fe provides annual funding (stipends), which are received monthly. The funding year runs from July 1 through June 30 of each year. The allocation for the years ended June 30, 2019 and 2018, was \$330,000 and \$390,000, respectively. Additionally, the Archdiocese of Santa Fe contributed additional monies to Catholic Charities as part of its second collections efforts, which totaled \$70,597 and \$0 during fiscal years 2019 and 2018, respectively. These second collections contributions are reported as a portion of monetary contributions in the statements of activities.

During 2014, Catholic Charities entered into a \$75,000 lease with the Archdiocese of Santa Fe for use of space in Santa Fe, New Mexico. See Note 11 for additional information on this lease.

The Board of Directors and certain employees contribute various amounts in general support of Catholic Charities. A certain board member is also an officer of a bank with which Catholic Charities maintains its cash balances. Board of Directors' outstanding promises to give at June 30, 2019 and 2018, are \$41,823 and \$34,834, respectively.

17) Community Foundation Endowment Funds

Catholic Charities is the beneficiary of an endowment fund known as the Wilhelmina Neat Coe/Peace Foundation Fund held by the Albuquerque Community Foundation (ACF). ACF makes annual distributions of the investment income earned from the endowment to Catholic Charities which are restricted for home care programs for the disabled and elderly. The balance of the endowment fund held by ACF for the benefit of Catholic Charities totaled \$120,730 and \$114,980 as of June 30, 2019 and 2018, respectively. The donor of these funds granted the governing board of ACF "variance power." This variance power allows ACF to modify the donor's stipulations under certain circumstances in order to meet the changing needs of the Albuquerque community.

Catholic Charities
Notes to the Consolidated Financial Statements
June 30, 2019 and 2018

17) Community Foundation Endowment Funds – continued

Catholic Charities is also the beneficiary of an endowment fund known as the Olympia Garcia de Duran/Catholic Social Services Fund held by the Santa Fe Community Foundation (SFCF). The balance of the endowment fund held by SFCF for the benefit of Catholic Charities programs in Santa Fe totaled \$223,847 and \$228,356 as of June 30, 2019 and 2018, respectively.

Catholic Charities is also the beneficiary of an endowment fund known as the Catholic Charities Fund held by the Catholic Foundation of the Archdiocese of Santa Fe. The balance of the endowment fund held by the Catholic Foundation totaled \$52,719 and \$49,331 as of June 30, 2019 and 2018, respectively.

Catholic Charities is also a beneficiary of an endowment fund known as the Hibernian House Priest Home Fund held by the Catholic Foundation of the Archdiocese of Santa Fe. The balance of the endowment fund held by the Catholic Foundation for the benefit of Catholic Charities totaled \$22,988 and \$22,032 as of June 30, 2019 and 2018, respectively.

None of the above endowment funds are reflected as assets on the consolidated financial statements of Catholic Charities given the variance power granted to each respective foundation.

18) **Subsequent Events**

Subsequent events are events or transactions that occur after the consolidated statement of financial position date, but before financial statements are issued. Catholic Charities recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statements of financial position, including the estimates inherent in the process of preparing the consolidated financial statements.

Catholic Charities has evaluated subsequent events through October 28, 2019, which is the date the consolidated financial statements were available to be issued.

In August 2019, the Felician Sisters of North America, Inc. (the “Felician Sisters”) donated land and buildings located in Rio Rancho, New Mexico, to CC Housing, Inc. The value of this real property at the date of donation totaled \$2,027,634. CC Housing, Inc. accepted this donation with several restrictions on the use of this real property and CC Housing, Inc. plans to use this real property for construction and/or development of affordable housing as allowed under these restrictions. Subsequent to the date of donation, CC Housing, Inc. entered into a lease with the Felician Sisters for 5,000 square feet of space in these buildings.

Catholic Charities
Notes to the Consolidated Financial Statements
June 30, 2019 and 2018

19) Recently Issued Accounting Pronouncements

The following accounting pronouncements have been issued, but have not yet been implemented by Catholic Charities.

Revenue Recognition

In May 2014, the FASB issued ASC 606 – *Revenue from Contracts with Customers*. ASC 606 is a single principle-based revenue standard for U.S. GAAP and IFRS (International Financial Reporting Standards) that replaces almost all U.S. GAAP and IFRS guidance for revenue recognition. The pronouncement is effective for fiscal years beginning after December 15, 2018 (Catholic Charities’ fiscal year ending June 30, 2020).

Leases

On February 25, 2016, the FASB issued ASU 2016-02 *Leases*, which significantly changes the accounting for leases in the financial statements of lessees and supersedes FASB ASC Topic 840. With this update, U.S. GAAP now will require lessees under operating leases to recognize a liability in the statement of financial position, a liability to make lease payments (the lease liability), and an asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting election not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. Cash flows related to operating leases will continue to be reported within operating activities on the statement of cash flows. The ASU is effective for fiscal years beginning after December 15, 2019 (Catholic Charities’ fiscal year ending June 30, 2021).

As of the date of these financial statements, management has not determined the impact these new accounting pronouncements will have on future reporting periods.

Supplementary Information

Catholic Charities
Consolidating Statement of Financial Position
June 30, 2019

	<u>Catholic Charities</u>	<u>Hibernian House</u>	<u>CC Housing, Inc.</u>	<u>Eliminations</u>	<u>Totals</u>
Assets					
Current assets					
Cash and cash equivalents	\$ 170,013	\$ 19,398	\$ -	\$ -	\$ 189,411
Accounts receivable, net	392,952	152	-	(377,831)	15,273
Contracts and grants receivable, net	277,639	-	-	-	277,639
Unconditional promises to give, current portion	102,748	-	-	-	102,748
Prepaid rent, current portion	1,500	-	-	-	1,500
Total current assets	<u>944,852</u>	<u>19,550</u>	<u>-</u>	<u>(377,831)</u>	<u>586,571</u>
Noncurrent assets					
Replacement reserves	-	162,512	-	-	162,512
Agency trust deposits	28,794	-	-	-	28,794
Security deposits	-	5,212	-	-	5,212
Unconditional promises to give, net of unamortized discount and current portion	16,223	-	-	-	16,223
Prepaid rent, net of current portion	65,875	-	-	-	65,875
Property and equipment, net	<u>6,360,863</u>	<u>935,182</u>	<u>-</u>	<u>-</u>	<u>7,296,045</u>
Total noncurrent assets	<u>6,471,755</u>	<u>1,102,906</u>	<u>-</u>	<u>-</u>	<u>7,574,661</u>
Total assets	<u>\$ 7,416,607</u>	<u>\$ 1,122,456</u>	<u>\$ -</u>	<u>\$ (377,831)</u>	<u>\$ 8,161,232</u>
Liabilities and Net Assets					
Current liabilities					
Accounts payable	\$ 113,720	\$ 973	\$ 377,831	\$ (377,831)	\$ 114,693
Payroll and related liabilities	104,446	805	-	-	105,251
Accrued paid time off	125,144	1,402	-	-	126,546
Deferred revenue	-	121	-	-	121
Line of credit	-	-	-	-	-
Long-term debt, current portion	91,265	-	-	-	91,265
Total current liabilities	<u>434,575</u>	<u>3,301</u>	<u>377,831</u>	<u>(377,831)</u>	<u>437,876</u>
Noncurrent liabilities					
Security deposits	-	4,255	-	-	4,255
Capital advance from the U.S. Department of Housing and Urban Development	-	1,183,300	-	-	1,183,300
Long-term debt, net of current portion and unamortized debt issuance costs	<u>2,766,502</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,766,502</u>
Total noncurrent liabilities	<u>2,766,502</u>	<u>1,187,555</u>	<u>-</u>	<u>-</u>	<u>3,954,057</u>
Total liabilities	<u>3,201,077</u>	<u>1,190,856</u>	<u>377,831</u>	<u>(377,831)</u>	<u>4,391,933</u>
Net assets					
Without donor restrictions	3,942,097	(68,400)	(377,831)	-	3,495,866
With donor restrictions	273,433	-	-	-	273,433
Total net assets	<u>4,215,530</u>	<u>(68,400)</u>	<u>(377,831)</u>	<u>-</u>	<u>3,769,299</u>
Total liabilities and net assets	<u>\$ 7,416,607</u>	<u>\$ 1,122,456</u>	<u>\$ -</u>	<u>\$ (377,831)</u>	<u>\$ 8,161,232</u>

Catholic Charities
Consolidating Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2019

	<u>Catholic Charities</u>	<u>Hibernian House</u>	<u>CC Housing, Inc.</u>	<u>Eliminations</u>	<u>Totals</u>
Support and Revenue Without Donor Restrictions					
Contracts and grants					
Federal	\$ 1,608,765	\$ 46,388	\$ -	\$ -	\$ 1,655,153
Non-federal	<u>1,285,395</u>	<u>-</u>	<u>2,000,000</u>	<u>-</u>	<u>3,285,395</u>
Total contracts and grants	<u>2,894,160</u>	<u>46,388</u>	<u>2,000,000</u>	<u>-</u>	<u>4,940,548</u>
Contributions					
Monetary	916,875	-	-	-	916,875
Archdiocese of Santa Fe	330,000	-	-	-	330,000
In-kind	263,502	-	-	-	263,502
United Way	<u>37,809</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,809</u>
Total contributions	<u>1,548,186</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,548,186</u>
Other support and revenue					
Program fees	724,205	-	52,181	-	776,386
Special events, net of donor benefit	111,672	-	-	-	111,672
Rental income	-	49,406	-	-	49,406
Other income	58,644	145	-	-	58,789
Loss on disposal of equipment	9,519	-	-	-	9,519
Investment income	<u>74</u>	<u>223</u>	<u>-</u>	<u>-</u>	<u>297</u>
Total other support and revenue	<u>904,114</u>	<u>49,774</u>	<u>52,181</u>	<u>-</u>	<u>1,006,069</u>
Net assets released from restrictions	<u>150,308</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>150,308</u>
Total support and revenue without donor restrictions	<u>5,496,768</u>	<u>96,162</u>	<u>2,052,181</u>	<u>-</u>	<u>7,645,111</u>
Expenses					
Program services					
Self-sufficiency and housing assistance	1,489,676	-	-	-	1,489,676
Educational opportunity	596,613	-	-	-	596,613
Children's learning center	847,762	-	-	-	847,762
Immigration and citizenship legal assistance	517,231	-	-	-	517,231
Refugee resettlement and support	287,659	-	-	-	287,659
Community involvement	172,705	-	-	-	172,705
Hibernian House	-	102,232	-	-	102,232
Affordable housing	<u>-</u>	<u>-</u>	<u>2,197,730</u>	<u>-</u>	<u>2,197,730</u>
Total program services	<u>3,911,646</u>	<u>102,232</u>	<u>2,197,730</u>	<u>-</u>	<u>6,211,608</u>
Supporting services					
Management and general	892,932	-	-	-	892,932
Fundraising	<u>319,043</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>319,043</u>
Total supporting services	<u>1,211,975</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,211,975</u>
Total expenses	<u>5,123,621</u>	<u>102,232</u>	<u>2,197,730</u>	<u>-</u>	<u>7,423,583</u>
Change in net assets without donor restrictions	<u>\$ 373,147</u>	<u>\$ (6,070)</u>	<u>\$ (145,549)</u>	<u>\$ -</u>	<u>\$ 221,528</u>

Catholic Charities
Consolidating Statement of Activities and Changes in Net Assets – continued
For the Year Ended June 30, 2019

	<u>Catholic Charities</u>	<u>Hibernian House</u>	<u>CC Housing, Inc.</u>	<u>Eliminations</u>	<u>Totals</u>
Support and Revenue With Donor Restrictions					
Contributions					
Monetary	\$ 178,809	\$ -	\$ -	\$ -	\$ 178,809
Total contributions	178,809	-	-	-	178,809
Net assets released from restrictions	(150,308)	-	-	-	(150,308)
Change in net assets with donor restrictions	<u>\$ 28,501</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,501</u>

Single Audit Information

Catholic Charities
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Federal Grantor / Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor or Other Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Agriculture				
<i>Passed through the State of New Mexico, Children, Youth and Families Department</i>				
Child and Adult Care Food Program (CACFP)	10.558	176NM332N1099	\$ -	\$ 77,195
Total U.S. Department of Agriculture			<u>-</u>	<u>77,195</u>
U.S. Department of Housing and Urban Development				
<i>Direct Awards</i>				
Supportive Housing for the Elderly (Section 202)	14.157	--	-	46,388
Capital Advance	14.157	--	-	1,183,300
			<u>-</u>	<u>1,229,688</u>
Continuum of Care Program	14.267	NM0012L6B001710	-	41,161
Continuum of Care Program	14.267	NM0012L6B001811	-	19,229
Continuum of Care Program	14.267	NM0011L6B001710	-	158,181
Continuum of Care Program	14.267	NM0011L6B001811	-	81,838
Continuum of Care Program	14.267	NM0008L6B001508	-	50,982
Continuum of Care Program	14.267	NM0008L6B001710	83,114	241,614
Continuum of Care Program	14.267	NM0071L6B011605	-	73,790
Continuum of Care Program	14.267	NM0071L6B011706	-	170,137
			<u>83,114</u>	<u>836,932</u>
<i>Passed through the State of New Mexico, New Mexico Mortgage Finance Authority</i>				
Homeless Prevention RAP Program	14.231	18-02-CCH-RAP-001	-	45,145
<i>Passed through the City of Albuquerque, Department of Family and Community Services</i>				
Continuum of Care Program	14.267	NM0101L6B001702	-	284,641
Total U.S. Department of Housing and Urban Development			<u>83,114</u>	<u>2,396,406</u>
U.S. Department of Justice				
<i>Passed through the State of New Mexico, Crime Victims Reparation Commission</i>				
Crime Victim Assistance - Victims of Crime Act (VOCA)	16.575	2016-VA-GX-0064	-	5,958
Crime Victim Assistance - Victims of Crime Act (VOCA)	16.575	2017-VA-GX-0076	-	31,328
			<u>-</u>	<u>37,286</u>
Violence Against Women Act (VAWA) Formula Grants	16.588	2017-WF-AX-0019	-	34,887
<i>Passed through the Catholic Charities USA</i>				
Juvenile Mentoring Program	16.726	2015-JV-FX-0013	-	31,971
Total U.S. Department of Justice			<u>-</u>	<u>104,144</u>

The accompanying notes are an integral part of this schedule.

Catholic Charities
Schedule of Expenditures of Federal Awards – continued
For the Year Ended June 30, 2019

Federal Grantor / Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor or Other Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Education				
<i>Passed through the State of New Mexico, Higher Education Department</i>				
English Language-Civics	84.002	V002A180032	-	24,799
Adult Basic Education Grant	84.002	V002A180032	-	171,118
Total U.S. Department of Education			-	195,917
U.S. Department of Health and Human Services				
<i>Passed through the City of Albuquerque, Department of Family and Community Services</i>				
Head Start	93.600	06CH7083-04-00	-	14,791
Total U.S. Department of Health and Human Services			-	14,791
Federal Emergency Management Agency				
<i>Direct Award</i>				
Emergency Food and Shelter Program	97.024	--	-	50,000
Total Federal Emergency Management Agency			-	50,000
Total expenditures of federal awards			\$ 83,114	\$ 2,838,453

The accompanying notes are an integral part of this schedule.

Catholic Charities
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Catholic Charities and its subsidiaries Hibernian House and CC Housing, Inc. (collectively “Catholic Charities”) under programs of the federal government for the year ended June 30, 2019. Because the schedule presents only a selected portion of the operations of Catholic Charities, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Catholic Charities.

2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

3) Indirect Cost Rate

Catholic Charities has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

4) Loan Information

Hibernian House received a capital advance from the U.S. Department of Housing and Urban Development (HUD) for the construction of a building for housing to low-income elderly persons. Hibernian House is not required to repay the principal or pay interest and the capital advance is forgiven at maturity, as long as the owner provides housing for the designated class of people in accordance with applicable HUD requirements. In accordance with the Uniform Guidance, the full outstanding balance on the capital advance is considered to be federal awards expended and is reported on the Schedule under CFDA number 14.157.

Catholic Charities
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

5) Reconciliation of the Schedule to the Consolidated Financial Statements

The following is a reconciliation of the expenditures reported in the Schedule to the expenditures reported in the consolidated financial statements:

Total federal revenues reported in the consolidated statements of activities	\$ 1,655,153
Outstanding capital advance reported as federal awards expended in the Schedule	<u>1,183,300</u>
Total expenditures of federal awards	<u>\$ 2,838,453</u>

Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

Board of Directors
Catholic Charities

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Catholic Charities, which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 28, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Catholic Charities' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Catholic Charities' internal control. Accordingly, we do not express an opinion on the effectiveness of Catholic Charities' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Catholic Charities' consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Catholic Charities' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Catholic Charities' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Loftis Group LLC

Albuquerque, New Mexico
October 28, 2019

Independent Auditor's Report on Compliance for
Each Major Program and On Internal Control Over
Compliance Required by the Uniform Guidance

Board of Directors
Catholic Charities

Report on Compliance for Each Major Federal Program

We have audited Catholic Charities' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Catholic Charities' major federal program for the year ended June 30, 2019. Catholic Charities' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Catholic Charities' major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Catholic Charities' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Catholic Charities' compliance.

Opinion on Each Major Federal Program

In our opinion, Catholic Charities complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of Catholic Charities is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Catholic Charities' internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Catholic Charities' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Loftis Group LLC

Albuquerque, New Mexico
October 28, 2019

Catholic Charities
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

Section I — Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Type of auditor’s report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	No
Instances where the results of audit follow-up procedures disclosed that the summary schedule of prior audit findings materially misrepresents the status of any prior audit finding?	No

Catholic Charities
Schedule of Findings and Questioned Costs — continued
For the Year Ended June 30, 2019

Section I — Summary of Auditor’s Results — continued

Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.157	Supportive Housing for the Elderly (Section 202)

Dollar threshold used to distinguish
between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? No

Section II — Financial Statement Findings

None.

Section III — Federal Award Findings and Questioned Costs

None.



Catholic Charities
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2019

2018-001 — Special Tests and Provisions – Residual Receipts Deposit

Condition: Hibernian House did not deposit the residual receipts from fiscal year 2018 until September 4, 2018 (66 days after year-end). Hibernian House also did not deposit the residual receipts from fiscal year 2017 until September 27, 2017 (89 days after year-end).

Current Status: Resolved.