



SJT GROUP LLC
CERTIFIED PUBLIC ACCOUNTANTS



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

June 30, 2021 and 2020

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, 2021 and 2020, 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.

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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, 2021 and 2020, 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 30-32 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 November 29, 2021, 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.

SJT Group LLC

Albuquerque, New Mexico
November 29, 2021

Consolidated Financial Statements

Catholic Charities
Consolidated Statements of Financial Position
June 30,

	<u>2021</u>	<u>2020</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 605,112	\$ 586,329
Accounts receivable, net	87,865	69,582
Contracts and grants receivable, net	274,770	304,796
Unconditional promises to give, current portion	20,437	69,244
Prepaid expenses, current portion	<u>1,500</u>	<u>1,500</u>
Total current assets	<u>989,684</u>	<u>1,031,451</u>
Noncurrent assets		
Replacement reserves	204,376	181,042
Agency trust deposits	37,304	37,304
Restricted cash and cash equivalents	109,393	448,334
Security deposits	5,217	5,214
Unconditional promises to give, net of unamortized discount and current portion	3,750	2,216
Prepaid expenses, net of current portion	70,999	64,375
Notes receivable	3,205,000	2,805,000
Property and equipment, net	<u>9,025,124</u>	<u>9,223,886</u>
Total noncurrent assets	<u>12,661,163</u>	<u>12,767,371</u>
Total assets	<u>\$ 13,650,847</u>	<u>\$ 13,798,822</u>

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

Catholic Charities
Consolidated Statements of Financial Position – continued
June 30,

	<u>2021</u>	<u>2020</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 142,751	\$ 75,192
Payroll and related liabilities	246,114	154,114
Accrued paid time off	92,872	126,554
Deferred revenue	132,717	100,065
Refundable advance - PPP loan	-	192,596
Long-term debt, current portion	<u>92,126</u>	<u>88,980</u>
Total current liabilities	<u>706,580</u>	<u>737,501</u>
Noncurrent liabilities		
Security deposits	4,179	4,275
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>5,787,120</u>	<u>5,880,359</u>
Total noncurrent liabilities	<u>6,974,599</u>	<u>7,067,934</u>
Total liabilities	<u>7,681,179</u>	<u>7,805,435</u>
Net assets		
Without donor restrictions	5,769,626	5,811,847
With donor restrictions	<u>200,042</u>	<u>181,540</u>
Total net assets	<u>5,969,668</u>	<u>5,993,387</u>
Total liabilities and net assets	<u>\$ 13,650,847</u>	<u>\$ 13,798,822</u>

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

Catholic Charities
Consolidated Statement of Activities
For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contracts and grants			
Federal	\$ 1,910,155	\$ -	\$ 1,910,155
Non-federal	1,638,071	-	1,638,071
Paycheck Protection Program	870,796	-	870,796
Total contracts and grants	<u>4,419,022</u>	<u>-</u>	<u>4,419,022</u>
Contributions			
Monetary	917,203	57,779	974,982
Archdiocese of Santa Fe	199,995	-	199,995
In-kind	206,923	-	206,923
United Way	44,858	-	44,858
Total contributions	<u>1,368,979</u>	<u>57,779</u>	<u>1,426,758</u>
Other support and revenue			
Program fees	485,065	-	485,065
Special events, net of donor benefit	81,790	-	81,790
Rental income	121,083	-	121,083
Other income	12,384	-	12,384
Investment income	210	-	210
Total other support and revenue	<u>700,532</u>	<u>-</u>	<u>700,532</u>
Net assets released from restrictions	<u>39,277</u>	<u>(39,277)</u>	<u>-</u>
Total support and revenue	<u>6,527,810</u>	<u>18,502</u>	<u>6,546,312</u>
Expenses			
Program services			
Self-sufficiency and housing assistance	2,136,523	-	2,136,523
Educational opportunity	737,865	-	737,865
Children's learning center	970,632	-	970,632
Immigration and citizenship legal assistance	554,788	-	554,788
Refugee resettlement and support	175,884	-	175,884
Community involvement	216,379	-	216,379
Hibernian House	115,520	-	115,520
Affordable housing	390,292	-	390,292
Total program services	<u>5,297,883</u>	<u>-</u>	<u>5,297,883</u>
Supporting services			
Management and general	856,972	-	856,972
Fundraising	415,176	-	415,176
Total supporting services	<u>1,272,148</u>	<u>-</u>	<u>1,272,148</u>
Total expenses	<u>6,570,031</u>	<u>-</u>	<u>6,570,031</u>
Change in net assets	(42,221)	18,502	(23,719)
Net assets, beginning of year	<u>5,811,847</u>	<u>181,540</u>	<u>5,993,387</u>
Net assets, end of year	<u>\$ 5,769,626</u>	<u>\$ 200,042</u>	<u>\$ 5,969,668</u>

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

Catholic Charities
Consolidated Statement of Activities
For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contracts and grants			
Federal	\$ 1,525,831	\$ -	\$ 1,525,831
Non-federal	1,674,591	-	1,674,591
Paycheck Protection Program	393,084	-	393,084
Total contracts and grants	<u>3,593,506</u>	<u>-</u>	<u>3,593,506</u>
Contributions			
Monetary	646,364	107,004	753,368
Archdiocese of Santa Fe	308,599	-	308,599
In-kind	2,188,191	-	2,188,191
United Way	38,702	-	38,702
Total contributions	<u>3,181,856</u>	<u>107,004</u>	<u>3,288,860</u>
Other support and revenue			
Program fees	677,181	-	677,181
Special events, net of donor benefit	164,617	-	164,617
Rental income	48,676	-	48,676
Other income	22,883	-	22,883
Investment income	269	-	269
Total other support and revenue	<u>913,626</u>	<u>-</u>	<u>913,626</u>
Net assets released from restrictions	198,897	(198,897)	-
Total support and revenue	<u>7,887,885</u>	<u>(91,893)</u>	<u>7,795,992</u>
Expenses			
Program services			
Self-sufficiency and housing assistance	1,392,036	-	1,392,036
Educational opportunity	714,632	-	714,632
Children's learning center	915,034	-	915,034
Immigration and citizenship legal assistance	522,033	-	522,033
Refugee resettlement and support	240,042	-	240,042
Community involvement	206,238	-	206,238
Hibernian House	96,621	-	96,621
Affordable housing	272,433	-	272,433
Total program services	<u>4,359,069</u>	<u>-</u>	<u>4,359,069</u>
Supporting services			
Management and general	897,123	-	897,123
Fundraising	315,712	-	315,712
Total supporting services	<u>1,212,835</u>	<u>-</u>	<u>1,212,835</u>
Total expenses	<u>5,571,904</u>	<u>-</u>	<u>5,571,904</u>
Change in net assets	2,315,981	(91,893)	2,224,088
Net assets, beginning of year	3,495,866	273,433	3,769,299
Net assets, end of year	<u>\$ 5,811,847</u>	<u>\$ 181,540</u>	<u>\$ 5,993,387</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, 2021

	Program Services						
	Self-Sufficiency and Housing Assistance	Educational Opportunity	Children's Learning Center	Immigration/ Citizenship Assistance	Refugee Resettlement and Support	Community Involvement	Hibernian House
Salaries, payroll taxes, and benefits	\$ 553,702	\$ 484,322	\$ 736,614	\$ 423,515	\$ 96,974	\$ 157,927	\$ 28,176
Special assistance	1,072,023	200	-	1,962	14,312	5,059	-
Contract services	315,403	40,946	22,466	30,918	15,340	2,890	8,755
In-kind	76,871	-	-	-	27,146	24,653	-
Repairs and maintenance	28,301	43,872	47,139	13,857	3,476	2,938	14,328
Utilities and telephone	27,462	13,114	16,217	15,481	6,130	5,586	10,276
Interest	8,806	31,309	28,374	7,827	1,957	2,935	-
Miscellaneous	180	640	162	-	40	60	5,346
Insurance	1,645	3,381	3,038	2,394	312	383	4,736
Supplies	64	28,865	18,029	1,737	161	14	5,184
Bad debt expense	-	8,200	-	-	-	-	409
Legal fees	-	-	-	-	-	-	-
Dues and subscriptions	789	13,839	2,252	3,057	190	443	-
Food	-	-	32,906	-	-	-	-
Printing and related equipment lease	6,475	2,348	3,301	1,436	1,367	648	-
Audit and accounting fees	4,892	1,819	2,493	1,518	520	193	4,540
Rent	15,000	-	-	1,485	-	925	6,265
Postage	20	45	28	9,764	1,070	161	-
Bank fees	-	-	83	3,495	-	-	-
Staff development	80	80	592	3,378	180	40	510
Travel, meetings and conferences	693	-	98	3,416	145	1,132	150
Employee/volunteer appreciation	2	100	52	314	2,866	150	-
Advertising and marketing	-	-	-	-	-	-	12
Special events	-	-	533	-	-	-	-
Total expenses before depreciation and amortization	<u>2,112,408</u>	<u>673,080</u>	<u>914,377</u>	<u>525,554</u>	<u>172,186</u>	<u>206,137</u>	<u>88,687</u>
Depreciation and amortization	<u>24,115</u>	<u>64,785</u>	<u>56,255</u>	<u>29,234</u>	<u>3,698</u>	<u>10,242</u>	<u>26,833</u>
Total expenses	<u>\$ 2,136,523</u>	<u>\$ 737,865</u>	<u>\$ 970,632</u>	<u>\$ 554,788</u>	<u>\$ 175,884</u>	<u>\$ 216,379</u>	<u>\$ 115,520</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, 2021

	Program Services		Supporting Services			Total Expenses
	Affordable Housing	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries, payroll taxes, and benefits	\$ 128,444	2,609,674	\$ 679,964	\$ 239,793	\$ 919,757	\$ 3,529,431
Special assistance	-	1,093,556	161	-	161	1,093,717
Contract services	15,591	452,309	20,474	16,623	37,097	489,406
In-kind	-	128,670	-	78,253	78,253	206,923
Repairs and maintenance	7,714	161,625	22,927	6,075	29,002	190,627
Utilities and telephone	36,035	130,301	15,820	5,984	21,804	152,105
Interest	977	82,185	19,437	3,914	23,351	105,536
Miscellaneous	67,756	74,184	733	80	813	74,997
Insurance	43,460	59,349	1,336	301	1,637	60,986
Supplies	35	54,089	2,218	137	2,355	56,444
Bad debt expense	-	8,609	-	41,866	41,866	50,475
Legal fees	28,872	28,872	11,225	485	11,710	40,582
Dues and subscriptions	163	20,733	6,558	6,750	13,308	34,041
Food	-	32,906	-	-	-	32,906
Printing and related equipment lease	584	16,159	4,424	5,234	9,658	25,817
Audit and accounting fees	6,339	22,314	2,193	1,069	3,262	25,576
Rent	-	23,675	-	-	-	23,675
Postage	290	11,378	4,275	1,026	5,301	16,679
Bank fees	58	3,636	10,644	1,691	12,335	15,971
Staff development	-	4,860	7,409	-	7,409	12,269
Travel, meetings and conferences	-	5,634	607	250	857	6,491
Employee/volunteer appreciation	-	3,484	697	188	885	4,369
Advertising and marketing	86	98	3,450	-	3,450	3,548
Special events	-	533	-	-	-	533
Total expenses before depreciation and amortization	<u>336,404</u>	<u>5,028,833</u>	<u>814,552</u>	<u>409,719</u>	<u>1,224,271</u>	<u>6,253,104</u>
Depreciation and amortization	<u>53,888</u>	<u>269,050</u>	<u>42,420</u>	<u>5,457</u>	<u>47,877</u>	<u>316,927</u>
Total expenses	<u>\$ 390,292</u>	<u>\$ 5,297,883</u>	<u>\$ 856,972</u>	<u>\$ 415,176</u>	<u>\$ 1,272,148</u>	<u>\$ 6,570,031</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, 2020

	Program Services						
	Self-Sufficiency and Housing Assistance	Educational Opportunity	Children's Learning Center	Immigration/ Citizenship Assistance	Refugee Resettlement and Support	Community Involvement	Hibernian House
Salaries, payroll taxes, and benefits	\$ 439,717	\$ 446,813	\$ 684,753	\$ 389,844	\$ 119,382	\$ 148,766	\$ 25,578
Special assistance	634,267	-	-	-	46,654	3,686	-
Contract services	122,048	8,829	16,197	32,462	8,583	1,329	9,280
In-kind	53,875	-	-	-	38,871	18,696	-
Repairs and maintenance	40,835	23,326	29,715	11,511	4,629	3,523	6,733
Utilities and telephone	24,159	12,492	15,149	12,797	4,995	6,631	9,198
Interest	9,262	26,560	26,901	13,390	2,241	4,893	-
Miscellaneous	-	-	244	586	-	250	2,388
Insurance	11,380	3,036	5,334	2,206	1,120	1,611	4,518
Supplies	2,434	120,139	14,244	1,900	291	459	5,175
Bad debt expense	-	-	-	-	-	-	-
Legal fees	1,268	-	275	-	49	-	-
Dues and subscriptions	2,369	3,642	1,986	2,581	754	545	-
Food	-	-	44,782	-	-	-	-
Printing and related equipment lease	4,384	2,387	2,310	3,570	511	659	-
Audit and accounting fees	7,011	2,522	3,555	2,256	761	344	5,000
Rent	15,600	-	-	-	-	-	1,607
Postage	118	33	99	9,195	252	276	-
Bank fees	-	4,352	3,375	4,322	-	-	-
Staff development	640	740	3,673	4,457	-	158	94
Travel, meetings and conferences	2,528	1,191	1,464	1,540	1,541	2,754	81
Employee/volunteer appreciation	-	55	702	329	1,964	764	-
Advertising and marketing	25	109	13	8	3	102	-
Special events	-	724	1,839	-	2,575	166	-
Total expenses before depreciation and amortization	<u>1,371,920</u>	<u>656,950</u>	<u>856,610</u>	<u>492,954</u>	<u>235,176</u>	<u>195,612</u>	<u>69,652</u>
Depreciation and amortization	<u>20,116</u>	<u>57,682</u>	<u>58,424</u>	<u>29,079</u>	<u>4,866</u>	<u>10,626</u>	<u>26,969</u>
Total expenses	<u>\$ 1,392,036</u>	<u>\$ 714,632</u>	<u>\$ 915,034</u>	<u>\$ 522,033</u>	<u>\$ 240,042</u>	<u>\$ 206,238</u>	<u>\$ 96,621</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, 2020

	Program Services		Supporting Services		Total	
	Affordable Housing	Total Program Services	Management and General	Fundraising	Supporting Services	Total Expenses
Salaries, payroll taxes, and benefits	\$ 131,078	2,385,931	\$ 671,491	\$ 210,616	\$ 882,107	\$ 3,268,038
Special assistance	-	684,607	1,279	-	1,279	685,886
Contract services	23,303	222,031	46,863	6,205	53,068	275,099
In-kind	-	111,442	7,863	41,252	49,115	160,557
Repairs and maintenance	6,176	126,448	24,261	7,407	31,668	158,116
Utilities and telephone	28,233	113,654	11,110	5,126	16,236	129,890
Interest	-	83,247	20,854	1,523	22,377	105,624
Miscellaneous	-	3,468	3,813	-	3,813	7,281
Insurance	1,204	30,409	3,939	1,804	5,743	36,152
Supplies	295	144,937	4,349	773	5,122	150,059
Bad debt expense	-	-	-	3,175	3,175	3,175
Legal fees	20,445	22,037	669	469	1,138	23,175
Dues and subscriptions	1,944	13,821	11,570	1,198	12,768	26,589
Food	-	44,782	-	-	-	44,782
Printing and related equipment lease	359	14,180	2,215	15,546	17,761	31,941
Audit and accounting fees	702	22,151	3,274	1,543	4,817	26,968
Rent	-	17,207	-	-	-	17,207
Postage	576	10,549	54	2,775	2,829	13,378
Bank fees	2	12,051	5,812	4,759	10,571	22,622
Staff development	1,475	11,237	515	97	612	11,849
Travel, meetings and conferences	7,012	18,111	3,192	1,052	4,244	22,355
Employee/volunteer appreciation	-	3,814	6,375	589	6,964	10,778
Advertising and marketing	104	364	11	6,388	6,399	6,763
Special events	-	5,304	22,324	107	22,431	27,735
Total expenses before depreciation and amortization	222,908	4,101,782	851,833	312,404	1,164,237	5,266,019
Depreciation and amortization	49,525	257,287	45,290	3,308	48,598	305,885
Total expenses	<u>\$ 272,433</u>	<u>\$ 4,359,069</u>	<u>\$ 897,123</u>	<u>\$ 315,712</u>	<u>\$ 1,212,835</u>	<u>\$ 5,571,904</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,

	2021	2020
Cash flows from operating activities		
Cash received from contracts and grants	\$ 3,610,904	\$ 3,666,293
Cash received from contributions	1,216,633	1,148,180
Cash received from program fees	466,782	622,872
Cash received from special events	81,790	164,617
Other cash received	133,578	63,336
Cash paid to employees and suppliers	(4,949,213)	(4,944,533)
Cash paid for interest	<u>(56,444)</u>	<u>(150,059)</u>
Net cash provided by operating activities	<u>504,030</u>	<u>570,706</u>
Cash flows from investing activities		
Deposits to reserve for replacements	(23,334)	(18,530)
Purchases of property and equipment	<u>(115,499)</u>	<u>(203,426)</u>
Net cash used by investing activities	<u>(138,833)</u>	<u>(221,956)</u>
Cash flows from financing activities		
Proceeds from issuance of PPP loan	678,200	585,680
Payments of qualifying expenses from PPP loan	(870,796)	(393,084)
Proceeds from issuance of notes payable	-	800,000
Pass-through of loan proceeds to housing developers	(400,000)	(400,000)
Principal payments on long-term debt	<u>(92,759)</u>	<u>(96,094)</u>
Net cash provided (used) by financing activities	<u>(685,355)</u>	<u>496,502</u>
Net change in cash and cash equivalents	(320,158)	845,252
Cash and cash equivalents, beginning of year	<u>1,034,663</u>	<u>189,411</u>
Cash and cash equivalents, end of year	<u>\$ 714,505</u>	<u>\$ 1,034,663</u>
Reconciliation to the consolidated statements of financial position		
Cash and cash equivalents - unrestricted	\$ 605,112	\$ 586,329
Cash and cash equivalents - restricted	<u>109,393</u>	<u>448,334</u>
	<u>\$ 714,505</u>	<u>\$ 1,034,663</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,

	2021	2020
Reconciliation of change in net assets to net cash provided by operating activities		
Change in net assets	<u>\$ (23,719)</u>	<u>\$ 2,224,088</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	316,927	305,885
Amortization of prepaid rent	1,500	1,500
In-kind contribution of building	-	(2,027,634)
Provision for bad debts	50,475	3,175
Changes in assets and liabilities:		
Accounts receivable	(18,283)	(54,309)
Contracts and grants receivable	30,026	(27,157)
Unconditional promises to give	(3,202)	44,336
Prepaid expenses	(8,124)	-
Agency trust deposits	-	(8,510)
Security deposits	(3)	(2)
Accounts payable	67,559	(39,501)
Payroll and related liabilities	92,000	48,863
Accrued paid time off	(33,682)	8
Deferred revenue	32,652	99,944
Security deposits	(96)	20
Total adjustments	<u>527,749</u>	<u>(1,653,382)</u>
Net cash provided by operating activities	<u>\$ 504,030</u>	<u>\$ 570,706</u>
 Supplemental disclosure of noncash activities		
In-kind contributions of materials, supplies, and services	<u>\$ 206,923</u>	<u>\$ 160,557</u>

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

Catholic Charities
Notes to the Consolidated Financial Statements
June 30, 2021 and 2020

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. (CC Housing) 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, 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, 2021 and 2020

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, 2021 and 2020

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 consists 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 provides other supportive services on site.
- ◆ *Rio Rancho:* In August 2020, the Felician Sisters of North America, Inc. (the “Felician Sisters”) donated land and buildings located in Rio Rancho, New Mexico, to CC Housing, who plans to use the donated land for construction of a 174-unit affordable housing development. The development is in the early planning stages and no completion date has been set for this development.
- ◆ *Sunray Lobo Canyon:* Sunray Lobo Canyon is an affordable housing rehabilitation of two adjacent properties with 128-units expected to serve households with children in Grants, New Mexico. This rehabilitation project was completed in March 2021.
- ◆ *Encantada:* Encantada is an affordable housing development in Los Lunas, New Mexico consisting of a 48-unit rental development. The development is in the early planning stages and no completion date has been set for this development.

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.

Catholic Charities
Notes to the Consolidated Financial Statements
June 30, 2021 and 2020

2) Summary of Significant Accounting Policies – continued

- ◆ *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 15 for more information on Catholic Charities' net assets with donor restrictions.

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.

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. 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.

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.

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.

Catholic Charities
Notes to the Consolidated Financial Statements
June 30, 2021 and 2020

2) Summary of Significant Accounting Policies – continued

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 employee's annual accrued balance or 50% of their accrued PTO hours at the time of termination, whichever is less, will be paid.

Revenue Recognition

Revenues from program fees are recognized when Catholic Charities' performance obligation is met. The performance obligation consists of providing services for the senior support, homeless, and immigration programs and these services are recorded at standard rates, less a sliding fee scale adjustment based on the clients' ability to pay.

Contribution revenue is recognized when cash, securities or other assets or an unconditional promise to give is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions upon which they depend have been met. Contributions received are recorded as net assets with or without donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (i.e., when the time or purpose of the restriction is accomplished), 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 assets are reported as support with donor restrictions. For the years ended June 30, 2021 and 2020, Catholic Charities reported donations of land and buildings of \$0 and \$2,027,634, respectively.

Revenue from 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.

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.

Catholic Charities
Notes to the Consolidated Financial Statements
June 30, 2021 and 2020

2) Summary of Significant Accounting Policies – continued

For the years ended June 30, 2021 and 2020, Catholic Charities reported in-kind donated services, supplies, and materials of \$206,923 and \$160,557, respectively, that met the revenue recognition criteria above.

Promises to Give

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 is computed using risk-free interest rates 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.

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, 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, 2021 and 2020, 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's tax returns are no longer subject to examinations by tax authorities for fiscal years before 2018.

Catholic Charities
Notes to the Consolidated Financial Statements
June 30, 2021 and 2020

2) Summary of Significant Accounting Policies – continued

Subsequent Events

Generally accepted accounting principles state that the financial statements should include the effects of all subsequent events that provide additional information about conditions in existence as of the balance sheet date. The COVID-19 virus was declared a global pandemic in March 2020, and it continues to spread. Business continuity, including consumer demand and supply chains across a broad range of industries could be severely impacted for months or even years. This outbreak is disrupting a wide range of sectors within Catholic Charities service area, and the overall consequences on a national, regional and local level are unknown. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. The extent of the impact of COVID-19 on operational and financial performance of Catholic Charities is not presently determinable and cannot be reasonably estimated at this time.

Catholic Charities has evaluated subsequent events for possible adjustment or disclosure through November 29, 2021, the date the consolidated financial statements were available to be issued. Management is carefully monitoring the COVID-19 situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

3) **Liquidity and Availability**

The following table reflects Catholic Charities’ financial assets as of June 30, 2021 and 2020, reduced by amounts that are not available to meet general expenditures within one year of the consolidated statements of financial position date because of contractual or donor-imposed restrictions. 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 consolidated statements of financial position date.

	<u>2021</u>	<u>2020</u>
Financial assets, at year-end		
Cash and cash equivalents	\$ 605,112	\$ 586,329
Accounts receivable, net	87,865	69,582
Contracts and grants receivable, net	274,770	304,796
Unconditional promises to give	<u>24,187</u>	<u>71,460</u>
Total financial assets, at year-end	991,934	1,032,167
Less amounts unavailable for general expenditures within one year, due to donor-imposed restrictions	<u>(3,750)</u>	<u>(8,225)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 988,184</u>	<u>\$ 1,023,942</u>

Catholic Charities
Notes to the Consolidated Financial Statements
June 30, 2021 and 2020

3) Liquidity and Availability – continued

To help manage unanticipated liquidity needs, Catholic Charities has access to a \$750,000 line of credit with a local bank. At June 30, 2021 and 2020, Catholic Charities had \$750,000 in available credit on the line. More information on the line of credit is available in Note 8.

4) **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 \$204,376 and \$181,042 at June 30, 2021 and 2020, 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, 2021 and 2020.

5) **Agency Trust Deposits**

Catholic Charities utilizes the 501(c) Agencies Trust Unemployment program to help pay state unemployment claims. Under the program, Catholic Charities established a trust that is based on Catholic Charities’ unemployment claims experience and gross annual payroll. The Agencies Trust Unemployment program 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, 2021 and 2020 is \$37,304.

6) **Unconditional Promises to Give**

Unconditional promises to give are as follows at June 30:

	<u>2021</u>	<u>2020</u>
Unconditional promises to give before allowance	\$ 69,517	\$ 77,469
Less: Allowance for doubtful accounts	<u>(45,330)</u>	<u>(6,009)</u>
Unconditional promises to give, net	<u>\$ 24,187</u>	<u>\$ 71,460</u>
Amounts due in:		
One year or less	\$ 65,767	\$ 69,244
Between one year and five years	<u>3,750</u>	<u>8,225</u>
Unconditional promises to give before allowance	<u>\$ 69,517</u>	<u>\$ 77,469</u>

Catholic Charities
Notes to the Consolidated Financial Statements
June 30, 2021 and 2020

7) Notes Receivable

Generations at West Mesa

During fiscal year 2016, the City of Albuquerque (the “City”) and Catholic Charities entered into a development agreement for the Generation at West Mesa affordable housing development. During fiscal year 2020, the City and Catholic Charities entered into a supplemental agreement whereby the City entered into a mortgage and security agreement with Catholic Charities at a total amount of \$2,405,000, representing Workforce Housing Trust Funds (WHTF) of \$2 million and land valued at \$405,000. An additional \$400,000 in WHTF were provided by the City in fiscal year 2020 in accordance with the third supplemental agreement.

During fiscal year 2020, the WHTF and the land totaling \$2,405,000 were passed through to the contracted developer for the Generations at West Mesa project. The additional \$400,000 in WHTF received by Catholic Charities during fiscal year 2020 were not passed through to the contracted developer during 2020, and were recorded as a portion of restricted cash in the consolidated statements of financial position as of June 30, 2020. These WHTF funds were passed through to the contracted developer during fiscal year 2021. The developer recorded a subordinate loan to Catholic Charities representing the value of these funds received by the developer, which is reported as a note receivable by Catholic Charities.

This note receivable will become due and payable upon either (1) dissolution or liquidation of the developer, or (2) default in any warranty, obligation, or other term, condition of the development agreement. Therefore, this note receivable is reported as a long-term asset in the consolidated statements of financial position. See additional information regarding the mortgage loan with the City at Note 12.

Sunray Lobo Canyon

During fiscal year 2020, CC Housing entered into an agreement with a developer for the Sunray Lobo Canyon affordable housing development. As part of this project, New Mexico Mortgage Finance Authority (NM MFA) approved an award of National Housing Trust Fund (NHTF) monies, which is received from HUD through its NHTF program, of \$400,000 to CC Housing to be used for the rehabilitation of two adjacent USDA rural development projects. These funds were passed through to the contracted developer of this rehabilitation project after issuance of a promissory note. CC Housing reports this promissory note as a note receivable as of June 30, 2021 and 2020.

The loan principal balance and all accrued and unpaid interest shall be forgiven at the maturity date, which is defined as the date of the final NHTF program completion report, provided that no event of default by the developer has occurred. Therefore, this note receivable is reported as a long-term asset in the consolidated statements of net position. See additional information regarding the NHTF loan with NM MFA at Note 12.

Catholic Charities
Notes to the Consolidated Financial Statements
June 30, 2021 and 2020

8) Line of Credit

Catholic Charities has a \$750,000 line of credit agreement with a local financial institution that renews in March 2022. The line carries interest at the bank’s prime lending rate (3.25% plus 0.5% at June 30, 2021 and 2020) and is secured by deposit accounts, inventory, accounts receivable, and equipment. At June 30, 2021 and 2020, Catholic Charities had \$0 in outstanding borrowings on the line.

9) Property and Equipment, Net

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

	<u>2021</u>	<u>2020</u>
Depreciable		
Buildings	\$ 9,092,227	\$ 9,092,227
Furniture, fixtures, and equipment	517,525	425,369
Leasehold improvements	325,751	297,076
Vehicles	190,452	190,452
Less: Accumulated depreciation and amortization	<u>(1,844,983)</u>	<u>(1,525,390)</u>
Total depreciable property and equipment, net	8,280,972	8,479,734
Land	640,825	640,825
Artwork	<u>103,327</u>	<u>103,327</u>
Property and equipment, net	<u>\$ 9,025,124</u>	<u>\$ 9,223,886</u>

10) Refundable Advance – Paycheck Protection Program (PPP) Loan

Catholic Charities was granted a \$585,680 loan under the PPP administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. Catholic Charities is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. Catholic Charities believes it has “substantially met” the forgiveness criteria as specified by the SBA as of June 30, 2020. Catholic Charities initially recorded the loan as a refundable advance and has recorded the forgiveness of the loan as PPP grant revenue as qualifying expenses have been incurred. For the year ended June 30, 2020, Catholic Charities has reported PPP grant revenue of \$393,084, which is equal to the qualifying expenses on the PPP loan proceeds as of June 30, 2020. The remaining balance of \$192,596 is reported as a refundable advance in the consolidated statement of financial position as of June 30, 2020. Catholic Charities’ PPP loan was forgiven by the SBA during fiscal year 2021 and the remaining balance of \$192,596 was recorded as PPP grant revenue for the year ended June 30, 2021.

Catholic Charities
Notes to the Consolidated Financial Statements
June 30, 2021 and 2020

10) Refundable Advance – Paycheck Protection Program (PPP) Loan – continued

During 2021, Catholic Charities was granted a second PPP loan of \$678,200. This second PPP loan is also uncollateralized and fully guaranteed by the Federal government, and Catholic Charities is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. Catholic Charities believes it has “substantially met” the forgiveness criteria as specified by the SBA as of June 30, 2021, and the second PPP loan was forgiven by the SBA in September 2021. Catholic Charities has recorded the forgiveness of the second PPP loan as PPP grant revenue for the year ended June 30, 2021.

11) **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 statements of financial position 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 statements of financial position as a noncurrent asset.

12) **Long-Term Debt**

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

	<u>2021</u>	<u>2020</u>
Industrial revenue bonds	\$ 2,196,109	\$ 2,271,840
Note payable to bank	534,050	551,078
Note payable to the City of Albuquerque	2,805,000	2,805,000
Note payable to New Mexico Mortgage Finance Authority	400,000	400,000
Less: Unamortized debt issuance costs	<u>(55,913)</u>	<u>(58,579)</u>
Total long-term debt, net of debt issuance costs	5,879,246	5,969,339
Current portion	<u>(92,126)</u>	<u>(88,980)</u>
Total long-term debt, net of current portion and debt issuance costs	<u>\$ 5,787,120</u>	<u>\$ 5,880,359</u>

Catholic Charities
Notes to the Consolidated Financial Statements
June 30, 2021 and 2020

12) Long-Term Debt – continued

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 rate of 3.47%, maturing March 2041, net of unamortized issuance costs of \$55,913 and \$58,579 at June 30, 2021 and 2020, 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, 2021 and 2020, Catholic Charities was in compliance with all required covenants.

Note Payable to Bank

As of June 30, 2021 and 2020, 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, 2021 and 2020, Catholic Charities had \$534,050 and \$551,078, respectively, in outstanding borrowings on the note.

Note Payable to the City of Albuquerque

During fiscal years 2019 and 2020, the City and Catholic Charities entered into supplemental agreements to their development agreement related to the Generations at West Mesa affordable housing development. Under these supplemental agreements, the City entered into a mortgage and security agreement with Catholic Charities at a total amount of \$2,805,000, representing Workforce Housing Trust Funds of \$2.4 million and land valued at \$405,000. Of this total, \$2,405,000 was disbursed to Catholic Charities in fiscal year 2019, and an additional \$400,000 was disbursed in fiscal year 2020.

The mortgage note becomes due and payable upon either (1) dissolution or liquidation of Catholic Charities, or (2) default in any warranty, obligation, or other term, condition of the development agreement. Therefore, there are no established payment terms on this mortgage note.

Note Payable to the New Mexico Mortgage Finance Authority

During fiscal year 2021, CC Housing issued a loan with NM MFA under the National Housing Trust Fund program, a program administered by HUD, totaling \$400,000 for the purpose of rehabilitating two adjacent USDA rural development projects. These funds were subsequently passed through to the developer of this rehabilitation project.

Catholic Charities
Notes to the Consolidated Financial Statements
June 30, 2021 and 2020

12) Long-Term Debt – continued

Should the project remain in compliance with the NHTF loan agreement for a period of 35 years after completion of the final NHTF program compliance report, the loan will be forgiven. Therefore, there are no established payment terms on this note.

Future principal payments on long-term debt, not including the notes payable to the City and NM MFA, as of June 30, 2021, are as follows:

	Principal	Interest	Total
2022	\$ 92,126	\$ 93,723	\$ 185,849
2023	95,383	90,466	185,849
2024	98,707	87,142	185,849
2025	102,591	83,258	185,849
2026	106,218	79,631	185,849
Thereafter	2,235,134	547,547	2,782,681
	\$ 2,730,159	\$ 981,767	\$ 3,711,926

13) **Deferred Revenue**

Deferred revenue consists of grants received by Catholic Charities prior to the incurrence of qualifying expenses on the grants. At June 30, 2021 and 2020, deferred revenue amounted to \$132,717 and \$100,065, respectively. Generally, these balances are caused by differences in the timing of cash received from grants and expenses incurred under grants and will be reversed in the remaining grant period.

14) **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 \$17,410 and \$15,600 for the years ended June 30, 2021 and 2020, 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.

Catholic Charities
Notes to the Consolidated Financial Statements
June 30, 2021 and 2020

15) Net Assets With Donor Restrictions

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

	<u>2021</u>	<u>2020</u>
Restricted for time:		
Capital campaign	\$ 25,301	\$ 30,040
Pledges receivable	44,216	47,429
Restricted for purpose:		
Asylee seeker assistance	105,297	99,871
COVID-19 pandemic relief	25,228	-
Immigration and citizenship legal assistance	-	4,200
Total net assets with donor restrictions	<u>\$ 200,042</u>	<u>\$ 181,540</u>

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:

	<u>2021</u>	<u>2020</u>
Time restriction accomplished:		
Capital campaign	\$ 4,739	\$ 33,857
Pledges receivable	8,713	19,698
Purpose restriction accomplished:		
Asylee seeker assistance	1,313	57,025
Education	-	4,226
Immigration and citizenship legal assistance	24,512	-
Community outreach	-	84,091
Total net assets released from restrictions	<u>\$ 39,277</u>	<u>\$ 198,897</u>

16) 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
Notes to the Consolidated Financial Statements
June 30, 2021 and 2020

16) Commitments and Contingencies – continued

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.

17) **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 \$104,215 and \$91,859 for the years ended June 30, 2021 and 2020, respectively.

18) **Management Fee**

Hibernian House pays Monarch Properties, Inc. a management fee equal to 9.77% of residential income collected by Monarch Properties, Inc. Management fees amounted to \$8,755 and \$9,279 for the years ended June 30, 2021 and 2020, respectively.

19) **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, 2021 and 2020, was \$199,995 and \$308,599, respectively. Additionally, the Archdiocese of Santa Fe contributed additional monies to Catholic Charities as part of its second collections efforts, which totaled \$32,654 and \$57,365 during fiscal years 2021 and 2020, respectively. These second collections contributions are reported as a portion of monetary contributions in the consolidated 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 14 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, 2021 and 2020, are \$14,537 and \$35,550, respectively.

Catholic Charities
Notes to the Consolidated Financial Statements
June 30, 2021 and 2020

20) Community Foundation Endowment Funds

Catholic Charities is the beneficiary of endowment funds held by the Albuquerque Community Foundation (ACF), known individually as the Wilhelmina Neat Coe/Peace Foundation Fund, Ann C. Lucero and David J. Lucero Endowment Fund, and the Catholic Charities Human Services Fund. ACF makes annual distributions of the investment income earned from these endowment funds to Catholic Charities which are restricted for home care programs for the disabled and elderly. The balance of these endowment funds held by ACF for the benefit of Catholic Charities totaled \$781,943 and \$120,221 as of June 30, 2021 and 2020, respectively.

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 \$258,598 and \$219,783 as of June 30, 2021 and 2020, respectively.

Catholic Charities is also the beneficiary of endowment funds held by the Catholic Foundation of the Archdiocese of Santa Fe, known individually as the Catholic Charities Fund and the Hibernian House Priest Home Fund. The balance of the endowment funds held by the Catholic Foundation totaled \$102,074 and \$79,498 as of June 30, 2021 and 2020, 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. This variance power allows each foundation to modify the donor’s stipulations under certain circumstances.

21) Recently Issued Accounting Pronouncements

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, 2021 (Catholic Charities’ fiscal year ending June 30, 2023).

Catholic Charities
Notes to the Consolidated Financial Statements
June 30, 2021 and 2020

21) Recently Issued Accounting Pronouncements – continued

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

Supplementary Information

Catholic Charities
Consolidating Statement of Financial Position
June 30, 2021

	Catholic Charities	Hibernian House	CC Housing, Inc.	Eliminations	Totals
Assets					
Current assets					
Cash and cash equivalents	\$ 595,399	\$ 9,701	\$ 12	\$ -	\$ 605,112
Accounts receivable, net	971,625	9,265	46,881	(939,906)	87,865
Contracts and grants receivable, net	274,770	-	-	-	274,770
Unconditional promises to give, current portion	20,437	-	-	-	20,437
Prepaid expenses, current portion	1,500	-	-	-	1,500
Total current assets	<u>1,863,731</u>	<u>18,966</u>	<u>46,893</u>	<u>(939,906)</u>	<u>989,684</u>
Noncurrent assets					
Replacement reserves	-	204,376	-	-	204,376
Agency trust deposits	37,304	-	-	-	37,304
Restricted cash and cash equivalents	80,830	-	28,563	-	109,393
Security deposits	-	5,217	-	-	5,217
Unconditional promises to give, net of current portion	3,750	-	-	-	3,750
Prepaid expenses, net of current portion	70,999	-	-	-	70,999
Notes receivable	2,805,000	-	400,000	-	3,205,000
Property and equipment, net	6,202,125	881,380	1,941,619	-	9,025,124
Total noncurrent assets	<u>9,200,008</u>	<u>1,090,973</u>	<u>2,370,182</u>	<u>-</u>	<u>12,661,163</u>
Total assets	<u>\$ 11,063,739</u>	<u>\$ 1,109,939</u>	<u>\$ 2,417,075</u>	<u>\$ (939,906)</u>	<u>\$ 13,650,847</u>
Liabilities and Net Assets					
Current liabilities					
Accounts payable	\$ 130,390	\$ 6,411	\$ 945,856	\$ (939,906)	\$ 142,751
Payroll and related liabilities	245,092	1,022	-	-	246,114
Accrued paid time off	91,419	1,453	-	-	92,872
Deferred revenue	132,169	548	-	-	132,717
Long-term debt, current portion	92,126	-	-	-	92,126
Total current liabilities	<u>691,196</u>	<u>9,434</u>	<u>945,856</u>	<u>(939,906)</u>	<u>706,580</u>
Noncurrent liabilities					
Security deposits	-	4,179	-	-	4,179
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	5,387,120	-	400,000	-	5,787,120
Total noncurrent liabilities	<u>5,387,120</u>	<u>1,187,479</u>	<u>400,000</u>	<u>-</u>	<u>6,974,599</u>
Total liabilities	<u>6,078,316</u>	<u>1,196,913</u>	<u>1,345,856</u>	<u>(939,906)</u>	<u>7,681,179</u>
Net assets					
Without donor restrictions	4,785,381	(86,974)	1,071,219	-	5,769,626
With donor restrictions	200,042	-	-	-	200,042
Total net assets	<u>4,985,423</u>	<u>(86,974)</u>	<u>1,071,219</u>	<u>-</u>	<u>5,969,668</u>
Total liabilities and net assets	<u>\$ 11,063,739</u>	<u>\$ 1,109,939</u>	<u>\$ 2,417,075</u>	<u>\$ (939,906)</u>	<u>\$ 13,650,847</u>

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

	Catholic Charities	Hibernian House	CC Housing, Inc.	Eliminations	Totals
Support and Revenue Without Donor Restrictions					
Contracts and grants					
Federal	\$ 1,866,306	\$ 43,849	\$ -	\$ -	\$ 1,910,155
Non-federal	1,638,071	-	-	-	1,638,071
Paycheck Protection Program	870,796	-	-	-	870,796
Total contracts and grants	<u>4,375,173</u>	<u>43,849</u>	<u>-</u>	<u>-</u>	<u>4,419,022</u>
Contributions					
Monetary	917,203	-	-	-	917,203
Archdiocese of Santa Fe	199,995	-	-	-	199,995
In-kind	206,923	-	-	-	206,923
United Way	44,858	-	-	-	44,858
Total contributions	<u>1,368,979</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,368,979</u>
Other support and revenue					
Program fees	649,331	-	37,906	(202,172)	485,065
Special events, net of donor benefit	81,790	-	-	-	81,790
Rental income	-	52,367	68,716	-	121,083
Other income	3,494	379	8,511	-	12,384
Investment income	39	103	68	-	210
Total other support and revenue	<u>734,654</u>	<u>52,849</u>	<u>115,201</u>	<u>(202,172)</u>	<u>700,532</u>
Net assets released from restrictions	<u>39,277</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,277</u>
Total support and revenue without donor restrictions	<u>6,518,083</u>	<u>96,698</u>	<u>115,201</u>	<u>(202,172)</u>	<u>6,527,810</u>
Expenses					
Program services					
Self-sufficiency and housing assistance	2,136,523	-	-	-	2,136,523
Educational opportunity	737,865	-	-	-	737,865
Children's learning center	970,632	-	-	-	970,632
Immigration and citizenship legal assistance	554,788	-	-	-	554,788
Refugee resettlement and support	175,884	-	-	-	175,884
Community involvement	216,379	-	-	-	216,379
Hibernian House	-	115,520	-	-	115,520
Affordable housing	165,499	-	224,793	-	390,292
Total program services	<u>4,957,570</u>	<u>115,520</u>	<u>224,793</u>	<u>-</u>	<u>5,297,883</u>
Supporting services					
Management and general	856,972	-	202,172	(202,172)	856,972
Fundraising	415,176	-	-	-	415,176
Total supporting services	<u>1,272,148</u>	<u>-</u>	<u>202,172</u>	<u>(202,172)</u>	<u>1,272,148</u>
Total expenses	<u>6,229,718</u>	<u>115,520</u>	<u>426,965</u>	<u>(202,172)</u>	<u>6,570,031</u>
Change in net assets without donor restrictions	<u>\$ 288,365</u>	<u>\$ (18,822)</u>	<u>\$ (311,764)</u>	<u>\$ -</u>	<u>\$ (42,221)</u>

Catholic Charities
Consolidating Statement of Activities and Changes in Net Assets – continued
For the Year Ended June 30, 2021

	<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	\$ 57,779	\$ -	\$ -	\$ -	\$ 57,779
Total contributions	57,779	-	-	-	57,779
Net assets released from restrictions	<u>(39,277)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(39,277)</u>
Change in net assets with donor restrictions	<u>\$ 18,502</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,502</u>

Single Audit Information

Catholic Charities
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Grantor / Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass-through Grantor or Other Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Housing and Urban Development				
<i>Direct Awards</i>				
Supportive Housing for the Elderly (Section 202)	14.157	--	\$ -	\$ 43,849
Capital Advance	14.157	--	-	1,183,300
			<u>-</u>	<u>1,227,149</u>
Continuum of Care Program	14.267	--	257,081	1,075,953
<i>Passed through the State of New Mexico, New Mexico Mortgage Finance Authority</i>				
Homeless Prevention RAP Program	14.231	20-02-CCH-RAP-001	-	71,384
COVID-19 - Emergency Solutions Grant	14.231	20-02-CCH-CAR-001	-	151,948
			<u>-</u>	<u>223,332</u>
<i>Passed through the City of Albuquerque, Department of Family and Community Services</i>				
Continuum of Care Program	14.267	NM0101L6B00180	-	266,878
Total U.S. Department of Housing and Urban Development			<u>257,081</u>	<u>2,793,312</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	2018-VA-GX-0022	-	42,595
			<u>-</u>	<u>42,595</u>
Violence Against Women Act (VAWA) Formula Grants	16.588	2019-WF-AX-0046	-	41,390
Violence Against Women Act (VAWA) Formula Grants	16.588	2018-WF-AX-0019	-	1,964
			<u>-</u>	<u>43,354</u>
Total U.S. Department of Justice			<u>-</u>	<u>85,949</u>
U.S. Department of Education				
<i>Passed through the State of New Mexico, Higher Education Department</i>				
English Language-Civics	84.002	V002A200032	-	21,180
Adult Basic Education Grant	84.002	V002A200032	-	193,014
Total U.S. Department of Education			<u>-</u>	<u>214,194</u>
Total expenditures of federal awards			<u>\$ 257,081</u>	<u>\$ 3,093,455</u>

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, 2021

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, 2021. 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 Assistance Listing Number 14.157.

Catholic Charities
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

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	\$ 1,910,155
Outstanding capital advance reported as federal awards expended in the Schedule	<u>1,183,300</u>
Total expenditures of federal awards	<u>\$ 3,093,455</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, 2021, 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 November 29, 2021.

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.

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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 financial statements. 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.

SJT Group LLC

Albuquerque, New Mexico
November 29, 2021



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 the 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, 2021. Catholic Charities' major federal program is 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.

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Opinion on the 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, 2021.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2021-001. Our opinion on the major federal program is not modified with respect to this matter.

Catholic Charities' response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Catholic Charities' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2021-001, that we consider to be a significant deficiency.

Catholic Charities' response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Catholic Charities' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

SJT Group LLC

Albuquerque, New Mexico
November 29, 2021

Catholic Charities
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

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 the major program:	Unmodified
Internal control over the major program:	
Material weaknesses identified?	No
Significant deficiencies identified?	Yes
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	Yes

Catholic Charities
Schedule of Findings and Questioned Costs — continued
For the Year Ended June 30, 2021
Section I — Summary of Auditor’s Results — continued

Identification of major program:

CFDA Number

Name of Federal Program or Cluster

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?

Yes

Catholic Charities
Schedule of Findings and Questioned Costs — continued
For the Year Ended June 30, 2021

Section II — Financial Statement Findings

None.

Catholic Charities
Schedule of Findings and Questioned Costs — continued
For the Year Ended June 30, 2021

Section III — Federal Award Findings and Questioned Costs

2021-001 – Management Fees

Federal program information:

Funding agency:	U.S. Department of Housing and Urban Development
Titles:	Supportive Housing for the Elderly (Section 202)
Assistance listing number:	14.157
Award year:	7/1/20 – 6/30/21

Criteria: According to the Regulatory Agreement with HUD, neither Hibernian House (HH) nor its agents shall make any payments for services, supplies or materials unless such services are actually rendered for the project or such supplies or materials are delivered to the project and are reasonably necessary for its operation. According to the Management Agent’s Certification, fees paid to HH’s management agent shall be equal to 9.77% of residential income collected.

Condition: For five months during fiscal year 2021, management fees were charged to HH by its management agent at a flat fee of \$2,368 instead of the agreed-upon rate of 9.77% of residential income collected for the month.

Questioned Costs: \$8,154

Cause: There is a lack of independent review of management fees charged by the management agent on a monthly basis.

Effect: Management fees were over-charged by \$8,154 for the year ended June 30, 2021. Hibernian House may not be in compliance with its Regulatory Agreement and the Management Agent’s Certification.

Auditor’s Recommendation: Management fees paid by HH should be independently reviewed on a monthly basis by someone other than a member of the management agent. Additionally, HH should seek reimbursement for the over-charged management fees.

Management’s Response: Hibernian House’s management agency will be required to submit monthly documentation showing total tenant rent collected along with a copy of their management fee invoice to the Executive Vice President and Chief Financial Officer of Catholic Charities for approval prior to recognition of expense and payment of fees. Additionally, the management agency reimbursed Hibernian House for the over-charged management fees on August 31, 2021.

Catholic Charities
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2021

Financial Statement Findings

None.

Federal Award Findings

None.

Catholic Charities
Corrective Action Plan
For the Year Ended June 30, 2021

2021-001 – Management Fees

Corrective action plan: Hibernian House’s management agency will be required to submit monthly documentation showing total tenant rent collected along with a copy of their management fee invoice to the Executive Vice President and Chief Financial Officer of Catholic Charities for approval prior to recognition of expense and payment of fees.

Personnel responsible for corrective action: Christine Reeder, Chief Financial Officer

Estimated corrective action completion date: August 31, 2021