

Catholic Charities of the East Bay

Financial Statements
and Supplementary Information
and Other Audit Report

April 30, 2020
(With Comparative Totals for 2019)



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Catholic Charities of the East Bay
Oakland, California

We have audited the accompanying financial statements of Catholic Charities of the East Bay (a California nonprofit corporation) ("Catholic Charities"), which comprise the statement of financial position as of April 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements based on our audit. We conducted our audit 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 financial statements referred to above present fairly, in all material respects, the financial position of Catholic Charities of the East Bay as of April 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



An independent firm
associated with Moore
Global Network Limited

Emphasis of Matter

As discussed in Note 17 to the financial statements, on March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. Given the uncertainty of the situation, the duration of the disruption and related financial impact cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information on page 24 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 September 25, 2020, 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 the effectiveness of Catholic Charities 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.

Report on Summarized Comparative Information

We have previously audited Catholic Charities of the East Bay's 2019 financial statements, and our report dated October 9, 2019 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended April 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Armanino^{LLP}
San Ramon, California

September 25, 2020

Catholic Charities of the East Bay
Statement of Financial Position
April 30, 2020
(With Comparative Totals for 2019)

	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,558,160	\$ 2,321,114
Cash and cash equivalents held for other organizations	3,471,030	1,983,686
Grants receivable, net	806,559	846,288
Contributions receivable, net	642,293	540,726
Prepaid and other current assets	96,146	122,619
Total current assets	7,574,188	5,814,433
Noncurrent assets		
Cash and cash equivalents held for long-term purposes	14,343,143	-
Investments in marketable securities	10,690,045	12,454,687
Receivable from charitable remainder trust	161,347	158,094
Contributions receivable, net of current portion	565,246	967,798
Property and equipment, net	2,379,805	2,352,852
Total noncurrent assets	28,139,586	15,933,431
Total assets	\$ 35,713,774	\$ 21,747,864
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 1,227,654	\$ 1,167,306
Funds held for other organizations	3,471,032	1,983,686
Deferred revenue	40,000	12,203
Line of credit	403,504	-
Current portion of note payable	45,702	43,439
Total current liabilities	5,187,892	3,206,634
Note payable, net of current portion	1,135,893	1,181,600
Total liabilities	6,323,785	4,388,234
Net assets		
Without donor restrictions		
Operating	539,273	1,499,264
Board designated	11,001,207	11,992,972
Total without donor restrictions	11,540,480	13,492,236
With donor restrictions	17,849,509	3,867,394
Total net assets	29,389,989	17,359,630
Total liabilities and net assets	\$ 35,713,774	\$ 21,747,864

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

Catholic Charities of the East Bay
Statement of Activities
For the Year Ended April 30, 2020
(With Comparative Totals for 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
Revenues, gains and other support				
Contributions	\$ 952,634	\$ 15,603,536	\$ 16,556,170	\$ 2,037,142
Bequests	510,029	-	510,029	5,860,179
Private grants	185,300	2,156,158	2,341,458	2,521,954
Government grants	3,599,206	60,000	3,659,206	4,104,808
Program services revenue	563,446	-	563,446	377,281
Fundraising and special events	183,694	-	183,694	419,642
Other revenue	679,825	3,253	683,078	630,424
Net assets released from restriction	<u>3,840,832</u>	<u>(3,840,832)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>10,514,966</u>	<u>13,982,115</u>	<u>24,497,081</u>	<u>15,951,430</u>
Functional expenses				
Program services	<u>9,658,603</u>	<u>-</u>	<u>9,658,603</u>	<u>8,233,254</u>
Support services				
Management and general	1,582,701	-	1,582,701	1,511,637
Fundraising	<u>851,215</u>	<u>-</u>	<u>851,215</u>	<u>799,296</u>
Total support services	<u>2,433,916</u>	<u>-</u>	<u>2,433,916</u>	<u>2,310,933</u>
Total functional expenses	<u>12,092,519</u>	<u>-</u>	<u>12,092,519</u>	<u>10,544,187</u>
Change in net assets from operations	<u>(1,577,553)</u>	<u>13,982,115</u>	<u>12,404,562</u>	<u>5,407,243</u>
Non-operating activity				
Realized and unrealized gains (losses), net of investment expenses of \$79,924 in 2020 and \$64,338 in 2019	(702,717)	-	(702,717)	665,544
Interest and dividends	<u>328,514</u>	<u>-</u>	<u>328,514</u>	<u>235,984</u>
Total non-operating activity	<u>(374,203)</u>	<u>-</u>	<u>(374,203)</u>	<u>901,528</u>
Change in net assets	(1,951,756)	13,982,115	12,030,359	6,308,771
Net assets, beginning of year	<u>13,492,236</u>	<u>3,867,394</u>	<u>17,359,630</u>	<u>11,050,859</u>
Net assets, end of year	<u>\$ 11,540,480</u>	<u>\$ 17,849,509</u>	<u>\$ 29,389,989</u>	<u>\$ 17,359,630</u>

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

Catholic Charities of the East Bay
Statement of Functional Expenses
For the Year Ended April 30, 2020
(With Comparative Totals for 2019)

	Program Services	Support Services		Total Support Services	2020 Total	2019 Total
		Management and General	Fundraising			
Personnel expenses						
Salaries and wages	\$ 4,641,612	\$ 872,258	\$ 215,470	\$ 1,087,728	\$ 5,729,340	\$ 5,389,884
Employee benefits	662,718	121,068	28,711	149,779	812,497	729,573
Payroll taxes	<u>346,472</u>	<u>62,065</u>	<u>16,638</u>	<u>78,703</u>	<u>425,175</u>	<u>392,939</u>
Total personnel expenses	5,650,802	1,055,391	260,819	1,316,210	6,967,012	6,512,396
Contract services	1,413,146	216,909	226,853	443,762	1,856,908	1,122,286
Financial assistance to individuals	1,103,595	-	-	-	1,103,595	960,642
Occupancy expense	533,836	12,146	28,744	40,890	574,726	419,706
Depreciation and amortization	122,378	22,856	5,648	28,504	150,882	221,311
Other expenses	195,791	74,584	97,117	171,701	367,492	247,961
In-kind expenses	278,339	112,331	99,222	211,553	489,892	443,155
Telephone	82,150	17,526	2,460	19,986	102,136	133,597
Printing and publications	17,848	16,677	44,274	60,951	78,799	93,749
Supplies	95,846	17,864	281	18,145	113,991	96,250
Travel	60,652	6,645	634	7,279	67,931	85,170
Interest expense	52,837	9,868	2,439	12,307	65,144	59,212
Events	12,415	5,919	77,144	83,063	95,478	74,944
Training and conferences	17,792	1,852	2,780	4,632	22,424	28,614
Postage and shipping	13,851	(746)	2,429	1,683	15,534	16,021
Equipment rental	<u>7,325</u>	<u>12,879</u>	<u>371</u>	<u>13,250</u>	<u>20,575</u>	<u>29,173</u>
Total 2020 functional expense	<u>\$ 9,658,603</u>	<u>\$ 1,582,701</u>	<u>\$ 851,215</u>	<u>\$ 2,433,916</u>	<u>\$ 12,092,519</u>	
Total 2019 functional expense	<u>\$ 8,233,254</u>	<u>\$ 1,511,637</u>	<u>\$ 799,296</u>	<u>\$ 2,310,933</u>		<u>\$ 10,544,187</u>

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

Catholic Charities of the East Bay
Statement of Cash Flows
For the Year Ended April 30, 2020
(With Comparative Totals for 2019)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ 12,030,359	\$ 6,308,771
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	150,882	221,311
Contributions restricted for long-term purposes	(14,916,878)	(478,480)
Net unrealized gains from charitable remainder trust	(3,253)	(3,260)
Net realized and unrealized (gains) losses on investments	702,717	(665,544)
Changes in operating assets and liabilities		
Grants receivable, net	39,729	60,257
Contributions receivable, net	300,985	85,690
Prepaid and other current assets	97,353	(87,695)
Accounts payable and accrued expenses	(10,533)	209,694
Funds held for other organizations	1,487,347	626,534
Deferred revenue	<u>27,797</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>(93,495)</u>	<u>6,277,278</u>
Cash flows from investing activities		
Purchases of investments	(843,812)	(5,437,353)
Redemption of investments	1,905,737	185,882
Payments made on construction in progress	-	(221,674)
Purchases of property and equipment	<u>(177,835)</u>	<u>(4,286)</u>
Net cash provided by (used in) investing activities	<u>884,090</u>	<u>(5,477,431)</u>
Cash flows from financing activities		
Principal payments on note payable	(43,444)	(41,584)
Contributions restricted for long term purposes	14,916,878	478,480
Net borrowings on line of credit	<u>403,504</u>	<u>-</u>
Net cash provided by financing activities	<u>15,276,938</u>	<u>436,896</u>
Net increase in cash, cash equivalents and cash held for other organizations and long-term purposes	16,067,533	1,236,743
Cash, cash equivalents and cash held for other organizations and long-term purposes, beginning of year	<u>4,304,800</u>	<u>3,068,057</u>
Cash, cash equivalents and cash held for other organizations and long-term purposes, end of year	<u>\$ 20,372,333</u>	<u>\$ 4,304,800</u>

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

Catholic Charities of the East Bay
Statement of Cash Flows
For the Year Ended April 30, 2020
(With Comparative Totals for 2019)

	2020	2019
Cash, cash equivalents and cash held for other organizations and long-term purposes consisted of the following:		
Cash and cash equivalents	\$ 2,558,160	\$ 2,321,114
Cash and cash equivalents held for other organizations	3,471,030	1,983,686
Cash and cash equivalents held for long-term purposes	14,343,143	-
	\$ 20,372,333	\$ 4,304,800

Supplemental disclosure of cash flow information

Cash paid during the year for interest	\$ 65,144	\$ 59,212
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Supplemental schedule of noncash investing and financing activities

Construction in progress included in accounts payable	\$ -	\$ 1,277
Construction in progress transferred to property and equipment	\$ 137,195	\$ -

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

Catholic Charities of the East Bay
Notes to Financial Statements
April 30, 2020

1. NATURE OF OPERATIONS

Catholic Charities of the Diocese of Oakland, Inc. dba Catholic Charities of the East Bay ("Catholic Charities") is a not-for-profit corporation, the Board members of which are elected subject to the approval of the Roman Catholic Bishop of the Diocese of Oakland.

Founded in 1935 by the Diocese of Oakland, Catholic Charities provides hope and healing to vulnerable children, youth and families in Alameda and Contra Costa Counties through compassionate services that transform lives and foster self-sufficiency. Catholic Charities works deeply to address the root causes of poverty and issues of social justice. Catholic Charities heeds the call of Pope Francis to serve the vulnerable. Catholic Charities serves people in need regardless of religious belief, race, national origin, gender, or sexual orientation.

As the social service arm of the Diocese of Oakland, Catholic Charities is a national recognized leader in healing trauma and providing evidence-based mental health services and restorative practices. Catholic Charities is also nationally accredited through the New York-based Council on Accreditation, demonstrating the implementation of best practice standards in the field of human services in all aspects of Catholic Charities' programs, services, management, and administration.

Catholic Charities' programs are organized under three service areas:

Welcoming the Stranger

Immigration Legal Services - helping people navigate the complex immigration system to earn lawful working status and follow a path to citizenship. Catholic Charities offers low-cost legal services provided by Department of Justice accredited representatives and licensed immigration attorneys.

Unaccompanied Minors - helping children and their families fleeing violence in Central America through direct legal representation and family reunification services (Parole Program).

Healing Trauma

Experience Hope - supporting healing and building relationships to improve educational outcomes and strengthen communities. Programs include school-based behavioral health services for children and youth as well as training and coaching activities for school communities and service providers.

Crisis Response - providing intensive grief counseling and family support services to victims of violent crime, including family and friends of homicide victims in Oakland and Alameda County.

Family Preservation - home-based case management and clinical services to strengthen Contra Costa County families and keep children and young people safely in their homes.

Catholic Charities of the East Bay
Notes to Financial Statements
April 30, 2020

1. NATURE OF OPERATIONS (continued)

Healing Trauma (continued)

Mental Health First Aid - training adults in Contra Costa and Alameda County to recognize and respond to signs and symptoms of mental health challenges in teens and to decrease stigma around mental illness.

Day Star Mentoring and CSEC Education - a community mentoring and education program developed to engage and empower those impacted by human trafficking through relationship building, increasing awareness, and advocacy.

Fostering Self-Sufficiency

Housing and Financial Services - rental and utilities assistance to families about to lose their homes.

Family Literacy - adult, parent and child literacy classes to promote life-long learning and improve language skills. Serving school families in North Richmond and surrounding communities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The financial statements of Catholic Charities of the East Bay are prepared on the accrual basis of accounting and in conformity with accounting principles generally accepted in the United States of America specific to nonprofit organizations. Catholic Charities is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

- *Net assets without donor restrictions* - consist of all resources that have not been restricted by a donor and are available to support Catholic Charities' activities. Net assets without donor restrictions may be designated for specific purposes by the Board of Directors of Catholic Charities.
- *Net assets with donor restrictions* - represent contributions that are limited in use in accordance with donor-imposed stipulations. These stipulations may expire with time or may be satisfied by the actions of Catholic Charities according to the intention of the donor. Upon satisfaction of such stipulations, the associated net assets are released from net assets with donor restrictions and reported as net assets without donor restrictions. This occurs by increasing one class of net assets and decreasing another in the statement of activities. These transactions are reported as net assets released from restriction and are reported separately from other transactions.

Catholic Charities of the East Bay
Notes to Financial Statements
April 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Catholic Charities considers all highly liquid investments with original maturity dates of three months or less to be cash equivalents.

Catholic Charities classifies cash and cash equivalents available for operations within the next 12 months as current assets. Any cash and cash equivalents that are not available for operations within the next 12 months are classified as non-current assets.

Grants receivable

Grants receivable are primarily from government agencies. No allowance for uncollectible amounts has been provided because all grants receivable are deemed collectible.

Contributions and contributions receivable

Contributions received are reported as net assets with donor restrictions or net assets without donor restrictions, depending upon donor restrictions, if any.

Contributions, including unconditional promises to give, are recognized as revenue in the period the promise is received. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions that are promised in one year but are not expected to be collected until after the end of that year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of any such discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for doubtful contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution and current aging of contributions receivable.

During the year ended April 30, 2020, Catholic Charities received a contribution of an apartment building and subsequently sold the building to a 3rd party. The use of the proceeds of the sale were restricted by the donor for advocacy on behalf of the homelessness at the federal government level. The contribution was valued at fair market value based upon the sale price to the 3rd party and recognized in the current fiscal year.

Contributed goods and services

Donated materials and equipment are recorded based on the estimated fair value at the date the contribution is made. Donated services are recognized as contribution revenue for certain services received at the fair value of those services, if the services (a) create or enhance non-financial assets, or (b) require specialized skills that are provided by individuals possessing those skills, and would be purchased if not donated. During the year ended April 30, 2020, Catholic Charities received \$489,892 worth of in-kind services.

Catholic Charities of the East Bay
Notes to Financial Statements
April 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments are stated at fair value. Investments in stocks which are listed on national securities exchanges, quoted on NASDAQ, or on the over-the-counter market are valued at the last reported sale price, or in the absence of a recorded sale, at a value between the most recent bid and asked prices. Investments in mutual funds, fixed annuities and charitable remainder trusts are valued at the net asset value of shares held by Catholic Charities at year-end. Any change in the carrying amount of investments held is included in the statement of activities as unrealized gain or loss. All investment income, gains and losses are reported as net assets without donor restrictions unless their use is restricted by explicit donor restriction or by law.

Investment transactions are recorded on trade date. Realized gains and losses on sales of investments are determined on the specific identification basis. Unrealized gains or losses on investments resulting from gain value fluctuations are recorded in the statement of activities net of investment expenses.

Fair value measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Catholic Charities determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value (Level 1, Level 2 and Level 3).

This hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three levels:

- *Level 1* - Quoted market prices are available in active market for identical assets or liabilities as of the reporting date.
- *Level 2* - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.
- *Level 3* - Pricing inputs are observable and shall be used to measure fair value to the extent that observable inputs are not available. The inputs into the determination of fair value are based upon the best information available and require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The following methods and assumptions were used to estimate the fair value of assets and liabilities:

Catholic Charities of the East Bay
Notes to Financial Statements
April 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

- Investments (Level 1). Investments in equity and debt securities are valued at their fair values as determined primarily by quoted market prices.
- Charitable remainder trust (Level 3). Charitable remainder trusts are valued by calculating the present value of the future distributions expected to be received, using published life expectancy tables, estimated investment growth rates, and a long-term US Treasury Bond rate at the date of recognition.

Property and equipment

Catholic Charities capitalizes all property and equipment with a cost greater than \$2,500 with an estimated useful life in excess of one year. Property and equipment is carried at cost or, if donated, at the estimated fair value on the date of the contribution. Minor repairs and maintenance are charged against earnings as incurred. Major repairs and maintenance that extend the useful life of the respective asset are capitalized. Whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recovered, Catholic Charities, using its best estimates and projections, reviews the carrying value of long-lived identifiable assets to be held and used in the future for impairment. Catholic Charities will record impairment losses when determined.

Depreciation and amortization of property and equipment is computed using the straight-line method over the following estimated useful lives:

Buildings and improvements	10-30 years
Furniture and equipment	3-7 years

Revenue recognition

Revenues or support are reported as increases in net assets without donor restrictions unless subject to donor-imposed restrictions. If revenue is subject to donor restrictions it is included in net assets with donor restrictions and, once restrictions are met, is released from restrictions and recorded as revenue released to net assets without donor restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless restricted by explicit donor stipulation or by law.

- *Government grants* - Catholic Charities recognizes revenue from grants for programmatic purposes in the period the services are provided.
- *Private grants* - Private grants are recognized when the grantor makes a promise to give to Catholic Charities that is, in substance, unconditional. Conditional promises to give are recognized only when the conditions on which they depend are substantially met.

Catholic Charities of the East Bay
Notes to Financial Statements
April 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

- *Program services revenue* - Program services revenue consists primarily of fees for housing, counseling, and immigration services and are recognized as services are performed.
- *Bequests* - Bequests are recognized as income at the time an assailable right to the gift has been established and the proceeds are measurable in amount. The Board has designated that funds received by bequest shall not be used for current operations, but be transferred in the investment fund for long-term use.

Deferred revenue

Deferred revenue consists of deposits received in the current fiscal year that pertain to services to be performed in the following fiscal year.

Functional expenses

The costs of providing program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Direct identification of specific expenses is Catholic Charities' preferable method of charging expenses to various functions. Catholic Charities has a number of expenses which relate to more than one program or supporting activity, or to a combination of programs and supporting activities. Expenses, such as payroll and benefits, have been allocated among program services and supporting services based upon the employees' time spent by function. Facility related costs such as depreciation and amortization and insurance have been allocated based on estimated percent of payroll by each functional classification.

Concentration of credit risk

Catholic Charities maintains its cash balances with a high quality institution. Periodically, such amounts may exceed Federal Deposit Insurance Corporation ("FDIC") limits. Risks associated with cash are mitigated by banking with creditworthy institutions. Catholic Charities has not experienced any losses in such accounts.

Income tax status

Catholic Charities of the East Bay is exempt from Federal income and California franchise taxes under provisions of Section 501(c)(3) of the Internal Revenue Code and Section 27301(d) of the California Revenue and Taxation Code. As such, there is no provision for income taxes.

Catholic Charities of the East Bay
Notes to Financial Statements
April 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax status (continued)

Catholic Charities has evaluated its current tax positions and has concluded that as of April 30, 2020, Catholic Charities does not have any significant uncertain tax positions for which a reserve would be necessary.

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 the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Summarized comparative financial information

The financial statements include certain prior-year summarized comparative information in total but not by net asset classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Catholic Charities' financial statements for the year ended April 30, 2019, from which the summarized information was derived.

Reclassifications

Certain amounts in the 2019 financial statements have been reclassified to conform to the 2020 presentation.

Upcoming accounting pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). The core principle of ASU 2014-09 is to recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity is expected to be entitled for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than required under existing U.S. GAAP, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each performance obligation. Revenue from contributions and investment income are not impacted by this new standard. ASU 2014-09 will be effective for annual reporting periods beginning after December 15, 2019 using either of two methods: (a) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within ASU 2014-09; or (b) retrospective with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined in ASU 2014-09. Catholic Charities is in process of evaluating the impact of the new guidance on the financial statements.

Catholic Charities of the East Bay
Notes to Financial Statements
April 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Upcoming accounting pronouncements (continued)

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The new guidance requires lessees to recognize a right-to-use asset and a lease liability for virtually all leases (other than leases that meet the definition of a short-term lease). The new guidance is effective for years beginning after December 15, 2019 and interim periods beginning the following year. Early application is permitted. Catholic Charities is in process of evaluating the impact of the new guidance on the financial statements.

3. CONTRIBUTIONS RECEIVABLE, NET

Unconditional promises to give, which are not expected to be collected until after the year promised, are reflected in the accompanying financial statements as contributions receivable and revenue in the appropriate net asset category.

Contributions receivable, net consisted of the following as of April 30, 2020:

Receivable in less than one year	\$ 642,293
Receivable in one to five years	593,451
Receivable in more than five years	<u>14,532</u>
	1,250,276
Less allowance for doubtful accounts	<u>(42,737)</u>
	<u><u>\$ 1,207,539</u></u>

4. INVESTMENTS

The following table sets forth by level, within the fair value hierarchy, Catholic Charities of the East Bay's investment assets at fair value as of April 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Fixed income	\$ 4,931,911	\$ -	\$ -	\$ 4,931,911
Equities	5,257,222	-	-	5,257,222
Alternative stocks	225,637	-	-	225,637
Structured investments	275,275	-	-	275,275
Receivable from charitable remainder trust	<u>-</u>	<u>-</u>	<u>161,347</u>	<u>161,347</u>
	<u><u>\$ 10,690,045</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 161,347</u></u>	<u><u>\$ 10,851,392</u></u>

Catholic Charities of the East Bay
Notes to Financial Statements
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4. INVESTMENTS (continued)

The following table sets forth a summary of changes in the fair value of Level 3 investments for the year ended April 30, 2020:

Balance, beginning of year	\$ 158,094
Unrealized gains	<u>3,253</u>
Balance, end of year	<u><u>\$ 161,347</u></u>

5. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following as of April 30, 2020:

Land	\$ 374,224
Buildings and improvements	3,939,123
Vehicles	40,634
Furniture and equipment	471,328
Construction in progress	<u>1,284</u>
	4,826,593
Accumulated depreciation and amortization	<u>(2,446,788)</u>
	<u><u>\$ 2,379,805</u></u>

Depreciation and amortization expense for the year ended April 30, 2020 was \$150,882.

6. FUNDS HELD ON BEHALF OF OTHER ORGANIZATIONS

Catholic Charities collects money from Catholic parishes to benefit other Catholic charitable organizations.

Catholic Charities also acts as a fiscal agent for disbursing the San Francisco Chronicle's Season of Sharing fund in Alameda and Contra Costa Counties and Alameda County's Homeless & Emergency Lodging Program (HELP). The Season of Sharing and HELP funds are used primarily for housing assistance to individuals. Alameda County Department of Social Services and Contra Costa County administer the Season of Sharing program, which involves county social services agencies and other community organizations it designates to screen and direct disbursements to eligible individuals. Catholic Charities is one of the designated organizations. The HELP program is administered by the Alameda County Department of Social Services and modeled off of the Season of Sharing program, but is restricted to Alameda County residents.

Catholic Charities of the East Bay
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7. LINE OF CREDIT

During May 2019, Catholic Charities entered into a liquidity access line agreement with a major financial institution. The line has a borrowing limit of \$4,000,000 and bears interest at the LIBOR rate plus 1.50% per annum (1.94% at April 30, 2020). Catholic Charities has a balance outstanding of \$403,505 at April 30, 2020. The line is collateralized by Catholic Charities' investment balance and is due on demand.

8. NOTE PAYABLE

In December 2012, Catholic Charities entered into a note payable agreement with a corporation for the purchase of a building in Richmond, California, with the payments being amortized over a 20 year period. During the year ended April 30, 2018, Catholic Charities refinanced the mortgage note. The note bears interest at a fixed rate of 4.93% with principal and interest payments due monthly. The note is secured by a first deed of trust on the property and the remaining unpaid balance with any interest is repayable on June 29, 2037.

The future maturities of the note payable are as follows:

Year ending April 30,

2021	\$ 45,702
2022	47,918
2023	50,242
2024	52,547
2025	55,227
Thereafter	929,959
	\$ 1,181,595

9. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consisted of the following as of April 30, 2020:

Board designated - Board Directed Fund	\$ 175,765
Board designated - Endowment	10,127,802
Board designated - Care for the Elderly	697,640
	\$ 11,001,207

Catholic Charities of the East Bay
Notes to Financial Statements
April 30, 2020

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of April 30, 2020:

Housing Counseling	\$ 494,755
Immigration	104,071
Federal homelessness advocacy	14,490,766
Commercial Sexual Exploitation of Children Services	10,000
Youth: Restorative Justice & Violence Prevention	89,396
Financial assistance	124,387
Family literacy program	55,068
Care for the elderly	1,112,180
General support	1,207,539
Charitable remainder trust	<u>161,347</u>
	<u>\$ 17,849,509</u>

For the year ended April 30, 2020, net assets released from restriction were \$3,840,832, which were released from purpose restrictions.

11. ENDOWMENT

The Catholic Charities' endowment consists of board-designated endowment funds. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

In accordance with Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), Catholic Charities considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the board-designated endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Catholic Charities
- (7) The investment policies of the Catholic Charities

Catholic Charities of the East Bay
Notes to Financial Statements
April 30, 2020

11. ENDOWMENT (continued)

Return objectives and risk parameters

Catholic Charities has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, Catholic Charities diversifies its investments, subject to practicality constraints, among a variety of asset classes so as to provide a balance that will enhance total real return while avoiding undue risk concentration in any single asset class or investment category.

Spending policy

Catholic Charities has established an unrestricted board-designated endowment to set aside and invest bequested assets in perpetuity to provide for the long-term financial stability of Catholic Charities. As part of the annual budget process, the Board of Directors uses their discretion to determine the appropriate utilization of the funds, using 4% of the 3 year fair market value of the endowment as a guide. All earnings of the endowment funds not withdrawn are reinvested.

Endowment composition

Endowment net asset composition by type of fund as of April 30, 2020 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board designated - endowment	<u>\$ 10,127,802</u>	<u>\$ -</u>	<u>\$ 10,127,802</u>

Changes in endowment net assets for the fiscal year ended April 30, 2020 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance, April 30, 2019	<u>\$ 10,572,544</u>	<u>\$ -</u>	<u>\$ 10,572,544</u>
Investment return			
Interest and dividends	313,122	-	313,122
Net realized and unrealized losses	<u>(594,944)</u>	<u>-</u>	<u>(594,944)</u>
Total investment return	(281,822)	-	(281,822)
Appropriation of net assets	<u>(162,920)</u>	<u>-</u>	<u>(162,920)</u>
	<u>(444,742)</u>	<u>-</u>	<u>(444,742)</u>
Balance, April 30, 2020	<u>\$ 10,127,802</u>	<u>\$ -</u>	<u>\$ 10,127,802</u>

Catholic Charities of the East Bay
Notes to Financial Statements
April 30, 2020

12. COMMITMENTS AND CONTINGENCIES

Catholic Charities leases commercial space and equipment under operating lease agreements which expire at varying dates through November 2024. Rent expense for the year ended April 30, 2020 amounted to \$186,685.

The scheduled minimum lease payments under the lease terms are as follows:

<u>Year ending April 30,</u>	
2021	\$ 269,185
2022	255,872
2023	133,101
2024	137,094
2025	<u>80,755</u>
	<u>\$ 876,007</u>

13. RELATED PARTY

Catholic Charities receives its organizational insurance coverage from the Roman Catholic Diocese of Oakland, a corporation, which is headed by the Bishop of the Diocese of Oakland, who also serves as the President of Catholic Charities. For the year ended April 30, 2020, the total cost of coverage was \$71,175.

On May 12, 2017, Catholic Charities entered in a five year lease with The Roman Catholic Bishop of Oakland for the use of a property in Oakland, California. During the year ended April 30, 2020, the total rental cost was \$108,883.

14. RETIREMENT PLAN

On November 1, 2008, Catholic Charities adopted a 403(b) plan. Employees are eligible to participate. There is no minimum age or service requirements for employees to make salary reduction contributions to the plan. Eligibility for employer base and matching contributions are offered only to employees age 18 and older who have completed 1,000 hours of service within any 12-month period of employment with Catholic Charities or other members of the Catholic Charities USA network and the Roman Catholic Diocese of Oakland. The established base contribution rate is 3% of compensation. Contributions paid to the plan for the year ended April 30, 2020 amounted to \$96,365.

Catholic Charities of the East Bay
Notes to Financial Statements
April 30, 2020

15. CONCENTRATIONS

During the year ended April 30, 2020, one individual donor made a contribution that accounted for approximately 61% of total revenue. The contribution was in the form of a 60-unit apartment building which Catholic Charities subsequently sold to a 3rd party. The use of the proceeds of the sale are restricted by the donor for advocacy on behalf of the homelessness at the federal government level. Any earnings on the investment of the proceeds of the sale are restricted by the donor for advocacy on behalf of the homelessness at the federal government level and support services for housing-unstable children and families with children.

16. LIQUIDITY AND FUNDS AVAILABLE

As part of Catholic Charities' liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To meet liquidity needs, Catholic Charities has cash and cash equivalents available. Additionally, grants receivable consist primarily of amounts due from third parties that have been historically collected within 60 days of the year-end. Contributions receivable that are considered current will be collected from donors within one year from the date of the statement of financial position and will be available for general expenditures.

Monthly, the Finance and Investment Committee of the Board of Directors reviews Catholic Charities' statement of financial position and discusses what may be a reasonable cash position to maintain. The Finance and Investment Committee has set 30 days in cash as the minimum for fiscal year 2020, with the expectation that Catholic Charities will continue to build toward a minimum of 60 days in cash.

The following is a quantitative disclosure which describes assets that are available within one year of April 30, 2020 to fund general expenditures and other obligations when they become due:

Financial assets	
Cash and cash equivalents	\$ 2,558,160
Grants receivable, net	806,559
Contributions receivable, net	<u>642,293</u>
Financial assets available to meet cash needs for general expenditure within one year	 <u><u>\$ 4,007,012</u></u>

Catholic Charities' has financial assets and cash and cash equivalents available at April 30, 2020 to cover approximately 108 days and 69 days, respectively, of operating expenses based on the fiscal year 2021 daily budgeted run rate for all program and support services expense of approximately \$37,144, excluding depreciation.

It is highly probable that net assets with time and purpose restrictions that are included in cash and cash equivalents at April 30, 2020 will be released and available for general expenditure within one year.

Catholic Charities of the East Bay
Notes to Financial Statements
April 30, 2020

16. LIQUIDITY AND FUNDS AVAILABLE (continued)

In the event of an unanticipated liquidity need, Catholic Charities may draw upon its \$4,000,000 available operating line of credit. See Note 7 for further description of the line of credit. In addition, the Organization obtained a Paycheck Protection Program ("PPP") loan in amount of \$1,412,115 which is available for payroll and other defined operating expenses as defined in the act. See Note 18 for additional details surrounding the PPP loan.

17. RISKS AND UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders. In addition, the U.S. Government enacted the Coronavirus Aid, Relief, and Economic Security Act, which includes significant provisions to provide relief and assistance to affected organizations. See Note 18.

While the business disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and shelter in place orders. Catholic Charities has adjusted certain aspects of its operations to protect its employees. Because Catholic Charities' operations are directly impacted by these events, it is clear that this matter has already impacted Catholic Charities and will likely continue to do so in the forthcoming months. However, the ultimate financial impact and duration cannot be reasonably estimated at this time.

18. SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 25, 2020, which is the date the financial statements were available to be issued. No subsequent events, other than that described below, have occurred that would have a material impact on the presentation of Catholic Charities's financial statements.

On May 3, 2020, Catholic Charities received loan proceeds of \$1,412,115 from a promissory note issued by MUFG Union Bank, N.A., under the Paycheck Protection Program which was established under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") and is administered by the U.S. Small Business Administration. The term on the loan is two years and the annual interest rate is 1.00%. Payments of principal and interest are deferred for the first six months of the loan. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loans granted under PPP. Such forgiveness will be determined based on the use of the loan proceeds for payroll costs, rent and utility expenses and the maintenance of workforce and compensation levels with certain limitations. Catholic Charities believes that it will likely qualify for full forgiveness, but there is uncertainty around the standards and operation of the PPP, and no assurance is provided that Catholic Charities will obtain forgiveness in whole or in part.

SUPPLEMENTARY INFORMATION

Catholic Charities of the East Bay
Schedule of Activities for Contracts with Alameda County
For the Year Ended April 30, 2020

Contract Number	17150	15501	900139	19-0105
	8/15/2019-	7/01/17-		7/01/2018-
Contract Period	8/14/2020	6/30/19	7/01/2019-6/30/2020	6/30/2019
Contract Period Amount	\$ 159,000	\$ 57,000	\$ 67,800	\$ 279,954

<u>Contract/Program Description</u>	<u>Juvenile Justice Crime Prevention Act - Community Supervision Programs</u>	<u>Alameda County Immigration and Refugee Support</u>	<u>Alameda County Child Abuse Prevention, Intervention, and Treatment</u>	<u>Oakland USD Crisis Counseling</u>	<u>Total</u>
Revenue					
Grants	<u>\$ 78,965</u>	<u>\$ 6,623</u>	<u>\$ 35,154</u>	<u>\$ 13,438</u>	<u>\$ 134,180</u>
Expenses					
Employee compensation					
Salaries	\$ 58,012	\$ 4,290	\$ -	\$ 25,537	\$ 87,839
Employee benefits	9,115	789	-	3,792	13,696
Payroll taxes	4,598	327	-	1,965	6,890
	<u>71,725</u>	<u>5,406</u>	<u>-</u>	<u>31,294</u>	<u>108,425</u>
Other operating expenses					
Contracted services	525	-	-	-	525
Occupancy cost	1,234	561	-	681	2,476
Other	888	26	-	400	1,314
Telephone	1,115	52	-	694	1,861
Printing and publications	2	2	-	7	11
Supplies	1,827	-	-	663	2,490
Travel expenses	362	-	-	278	640
Training and conferences	-	-	-	165	165
Indirect	7,481	602	-	3,007	11,090
	<u>13,434</u>	<u>1,243</u>	<u>-</u>	<u>5,895</u>	<u>20,572</u>
	<u>\$ 85,159</u>	<u>\$ 6,649</u>	<u>\$ -</u>	<u>\$ 37,189</u>	<u>\$ 128,997</u>

OTHER AUDIT REPORT

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 of the East Bay
Oakland, California

We have audited, in accordance with the 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 financial statements of Catholic Charities of the East Bay (a California nonprofit corporation) ("Catholic Charities"), which comprise the statement of financial position as of April 30, 2020, and the related 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 September 25, 2020.

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' financial statements are free from 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.



Armanino^{LLP}
San Ramon, California

September 25, 2020