

Catholic Charities of the East Bay

Financial Statements
and Supplementary Information
and Single Audit Reports and Schedules

April 30, 2021
(With Comparative Totals for 2020)



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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, 2021, 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, 2021, 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

Change in Accounting Principle

As described in Note 2 to the financial statements, Catholic Charities has adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to these matters.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information on page 25 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 February 4, 2022, 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 2020 financial statements, and our report dated September 25, 2020 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, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Armanino^{LLP}
San Ramon, California

February 4, 2022

Catholic Charities of the East Bay
Statement of Financial Position
April 30, 2021
(With Comparative Totals for 2020)

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,496,360	\$ 2,558,160
Cash and cash equivalents held for other organizations	2,750,455	3,471,030
Grants receivable	806,295	806,559
Contributions receivable, net	660,064	658,102
Prepaid and other current assets	40,509	96,146
Total current assets	7,753,683	7,589,997
Noncurrent assets		
Cash and cash equivalents held for long-term purposes	1,187,034	14,343,143
Investments in marketable securities	27,852,459	10,690,045
Receivable from charitable remainder trust	178,056	161,347
Contributions receivable, net of current portion	282,120	549,437
Property and equipment, net	2,306,754	2,379,805
Total noncurrent assets	31,806,423	28,123,777
Total assets	\$ 39,560,106	\$ 35,713,774
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 1,097,638	\$ 1,227,654
Funds held for other organizations	2,750,455	3,471,032
Deferred revenue	172,678	40,000
Line of credit	429,568	403,504
Paycheck Protection Program refundable advance	1,412,137	-
Current portion of note payable	47,918	45,702
Total current liabilities	5,910,394	5,187,892
Note payable, net of current portion	1,088,015	1,135,893
Total liabilities	6,998,409	6,323,785
Net assets		
Without donor restrictions		
Operating	1,504,048	539,273
Board designated	13,043,461	11,001,207
Total without donor restrictions	14,547,509	11,540,480
With donor restrictions	18,014,188	17,849,509
Total net assets	32,561,697	29,389,989
Total liabilities and net assets	\$ 39,560,106	\$ 35,713,774

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, 2021
(With Comparative Totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
Revenues, gains and other support				
Contributions	\$ 1,357,738	\$ 382,954	\$ 1,740,692	\$ 16,556,170
Bequests	705,729	-	705,729	510,029
Private grants	247,400	3,235,516	3,482,916	2,341,458
Paycheck Protection Program grant	1,412,115	-	1,412,115	-
Government grants	4,690,866	115,000	4,805,866	3,659,206
Program services revenue	479,455	-	479,455	563,446
Fundraising and special events	29,344	-	29,344	183,694
Other revenue	<u>311,384</u>	<u>16,509</u>	<u>327,893</u>	<u>683,078</u>
Total revenues, gains and other support	<u>9,234,031</u>	<u>3,749,979</u>	<u>12,984,010</u>	<u>24,497,081</u>
Net assets released from restriction	<u>3,660,763</u>	<u>(3,660,763)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>12,894,794</u>	<u>89,216</u>	<u>12,984,010</u>	<u>24,497,081</u>
Functional expenses				
Program services	<u>9,295,392</u>	<u>-</u>	<u>9,295,392</u>	<u>9,658,603</u>
Support services				
Management and general	2,497,961	-	2,497,961	1,582,701
Fundraising	<u>814,021</u>	<u>-</u>	<u>814,021</u>	<u>851,215</u>
Total support services	<u>3,311,982</u>	<u>-</u>	<u>3,311,982</u>	<u>2,433,916</u>
Total functional expenses	<u>12,607,374</u>	<u>-</u>	<u>12,607,374</u>	<u>12,092,519</u>
Change in net assets from operations	<u>287,420</u>	<u>89,216</u>	<u>376,636</u>	<u>12,404,562</u>
Non-operating activity				
Realized and unrealized gains (losses), net of investment expenses of \$138,016 in 2021 and \$79,924 in 2020	2,382,624	75,463	2,458,087	(702,717)
Interest and dividends	<u>336,985</u>	<u>-</u>	<u>336,985</u>	<u>328,514</u>
Total non-operating activity	<u>2,719,609</u>	<u>75,463</u>	<u>2,795,072</u>	<u>(374,203)</u>
Change in net assets	3,007,029	164,679	3,171,708	12,030,359
Net assets, beginning of year	<u>11,540,480</u>	<u>17,849,509</u>	<u>29,389,989</u>	<u>17,359,630</u>
Net assets, end of year	<u>\$ 14,547,509</u>	<u>\$ 18,014,188</u>	<u>\$ 32,561,697</u>	<u>\$ 29,389,989</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, 2021
(With Comparative Totals for 2020)

	Program Services	Support Services		Total Support Services	2021 Total	2020 Total
		Management and General	Fundraising			
Personnel expenses						
Salaries and wages	\$ 3,498,687	\$ 1,058,365	\$ 259,414	\$ 1,317,779	\$ 4,816,466	\$ 5,729,340
Employee benefits	627,000	161,392	27,517	188,909	815,909	812,497
Payroll taxes	258,728	78,857	18,913	97,770	356,498	425,175
Total personnel expenses	4,384,415	1,298,614	305,844	1,604,458	5,988,873	6,967,012
Contract services	540,102	550,930	303,054	853,984	1,394,086	1,856,908
Financial assistance to individuals	3,609,508	-	-	-	3,609,508	1,103,595
Occupancy expense	318,089	260,438	12,053	272,491	590,580	574,726
Depreciation and amortization	130,296	38,591	9,089	47,680	177,976	150,882
Other expenses	71,429	175,109	48,062	223,171	294,600	367,492
In-kind expenses	48,047	65,803	61,472	127,275	175,322	489,892
Telephone	55,513	41,726	2,324	44,050	99,563	102,136
Printing and publications	18,509	7,297	35,346	42,643	61,152	78,799
Supplies	28,392	22,964	1,780	24,744	53,136	113,991
Travel	3,508	1,532	87	1,619	5,127	67,931
Interest expense	52,687	15,604	3,675	19,279	71,966	65,144
Events	9,113	(182)	24,826	24,644	33,757	95,478
Training and conferences	3,090	499	336	835	3,925	22,424
Postage and shipping	22,629	4,481	6,073	10,554	33,183	15,534
Equipment rental	65	14,555	-	14,555	14,620	20,575
Total 2021 functional expense	<u>\$ 9,295,392</u>	<u>\$ 2,497,961</u>	<u>\$ 814,021</u>	<u>\$ 3,311,982</u>	<u>\$ 12,607,374</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>

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, 2021
(With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 3,171,708	\$ 12,030,359
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	177,976	150,882
Contributions restricted for long-term purposes	-	(14,916,878)
Contributions restricted for endowment	(100,000)	-
Net unrealized gains from charitable remainder trust	(16,709)	(3,253)
Net realized and unrealized (gains) losses on investments	(2,458,087)	702,717
Gain on disposal of property and equipment	(800)	-
Changes in operating assets and liabilities		
Grants receivable	264	39,729
Contributions receivable, net	265,355	300,985
Prepaid and other current assets	55,637	97,353
Accounts payable and accrued expenses	(122,932)	(10,533)
Funds held for other organizations	(720,577)	1,487,347
Deferred revenue	132,678	27,797
Paycheck Protection Program refundable advance	1,412,137	-
Net cash provided by (used in) operating activities	<u>1,796,650</u>	<u>(93,495)</u>
Cash flows from investing activities		
Purchases of investments	(22,501,340)	(843,812)
Redemption of investments	7,797,013	1,905,737
Purchases of property and equipment	(111,209)	(177,835)
Net cash provided by (used in) investing activities	<u>(14,815,536)</u>	<u>884,090</u>
Cash flows from financing activities		
Principal payments on note payable	(45,662)	(43,444)
Cash received for contributions restricted for long term purposes	-	14,916,878
Cash received for endowment contributions	100,000	-
Net borrowings on line of credit	26,064	403,504
Net cash provided by financing activities	<u>80,402</u>	<u>15,276,938</u>
Net increase (decrease) in cash, cash equivalents and cash held for other organizations and long-term purposes	(12,938,484)	16,067,533
Cash, cash equivalents and cash held for other organizations and long-term purposes, beginning of year	<u>20,372,333</u>	<u>4,304,800</u>
Cash, cash equivalents and cash held for other organizations and long-term purposes, end of year	<u>\$ 7,433,849</u>	<u>\$ 20,372,333</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, 2021
(With Comparative Totals for 2020)

	2021	2020
Cash, cash equivalents and cash held for other organizations and long-term purposes consisted of the following:		
Cash and cash equivalents	\$ 3,496,360	\$ 2,558,160
Cash and cash equivalents held for other organizations	2,750,455	3,471,030
Cash and cash equivalents held for long-term purposes	1,187,034	14,343,143
	\$ 7,433,849	\$ 20,372,333

Supplemental disclosure of cash flow information

Cash paid during the year for interest	\$ 71,966	\$ 65,144
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Supplemental schedule of noncash investing and financing activities

Property and equipment included in accounts payable	\$ 7,084	\$ -
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The accompanying notes are an integral part of these financial statements.

Catholic Charities of the East Bay
Notes to Financial Statements
April 30, 2021

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, 2021

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 are prepared on the accrual basis of accounting and in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") 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, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principle

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. GAAP. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. Revenue from contributions and investment income are not impacted by this new standard. Catholic Charities adopted ASU 2014-09 with a date of the initial application of May 1, 2020, using the full retrospective method. The adoption of ASU 2014-09 did not have an impact on Catholic Charities' financial statements.

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 barrier has been overcome and the right of release/right of return no longer exists. 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.

Catholic Charities of the East Bay
Notes to Financial Statements
April 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2021, Catholic Charities received \$175,322 worth of in-kind services.

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.

Catholic Charities of the East Bay
Notes to Financial Statements
April 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

- *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:

- 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

Catholic Charities of the East Bay
Notes to Financial Statements
April 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 by the law.

- *Government grants* - Catholic Charities recognizes revenue from grants for programmatic purposes when the promise to give is deemed unconditional. Conditional promises to give are recognized only when the barrier has been overcome and the right of release/right of return no longer exists.
- *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 barrier has been overcome and the right of release/right of return no longer exists.
- *Program services revenue* - Program service 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 the 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.

Government grants

Government grants are generally received under contracts from federal, state, county and city agencies. These contracts are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when Catholic Charities has incurred expenditures in compliance with specific contract or grant provisions. Catholic Charities has elected a simultaneous release option to account for these grants and thus are recorded as revenue without donor restriction upon satisfaction of the barriers. Amounts received prior to incurring qualifying expenditures or performing the required services are reported as a component of deferred revenue. There was no deferred revenue recorded as of April 30, 2021. The Organization received cost-reimbursable grants of approximately \$1,470,000 that have not been recognized at April 30, 2021 because qualifying expenditures have not yet been incurred.

Catholic Charities of the East Bay
Notes to Financial Statements
April 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 has evaluated its current tax positions and has concluded that as of April 30, 2021, 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 U.S. GAAP 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.

Catholic Charities of the East Bay
Notes to Financial Statements
April 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 U.S. GAAP. Accordingly, such information should be read in conjunction with Catholic Charities' financial statements for the year ended April 30, 2020, from which the summarized information was derived.

Upcoming accounting pronouncements

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, 2021 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.

Subsequent events

Subsequent events have been evaluated through February 4, 2022, which is the date the financial statements were available to be issued. No subsequent events have occurred that would have a material impact on the presentation of Catholic Charities' 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, 2021:

Receivable in less than one year	\$ 698,146
Receivable in one to five years	297,929
	<u>996,075</u>
Less discount on long-term pledges	(15,809)
Less allowance for doubtful accounts	<u>(38,082)</u>
	<u>\$ 942,184</u>

Catholic Charities of the East Bay
Notes to Financial Statements
April 30, 2021

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, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Fixed income	\$ 19,447,513	\$ -	\$ -	\$ 19,447,513
Equities	7,348,547	-	-	7,348,547
Alternative stocks	283,599	-	-	283,599
Structured investments	772,800	-	-	772,800
Receivable from charitable remainder trust	<u>-</u>	<u>-</u>	<u>178,056</u>	<u>178,056</u>
	<u>\$ 27,852,459</u>	<u>\$ -</u>	<u>\$ 178,056</u>	<u>\$ 28,030,515</u>

The following table sets forth a summary of changes in the fair value of Level 3 investments for the year ended April 30, 2021:

Balance, beginning of year	\$ 161,347
Unrealized gains	<u>16,709</u>
Balance, end of year	<u>\$ 178,056</u>

5. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following as of April 30, 2021:

Land	\$ 374,224
Buildings and improvements	3,945,113
Vehicles	40,634
Furniture and equipment	471,328
Construction in progress	<u>100,218</u>
	4,931,517
Accumulated depreciation and amortization	<u>(2,624,763)</u>
	<u>\$ 2,306,754</u>

Depreciation and amortization expense for the year ended April 30, 2021 was \$177,976.

6. FUNDS HELD ON BEHALF OF OTHER ORGANIZATIONS

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

Catholic Charities of the East Bay
Notes to Financial Statements
April 30, 2021

6. FUNDS HELD ON BEHALF OF OTHER ORGANIZATIONS (continued)

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.

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 (1.61% at April 30, 2021). Catholic Charities has a balance outstanding of \$429,568 at April 30, 2021. 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:

<u>Year ending April 30,</u>		
2022	\$	47,918
2023		50,242
2024		52,547
2025		55,227
2026		57,905
Thereafter		872,094
	\$	1,135,933

Catholic Charities of the East Bay
Notes to Financial Statements
April 30, 2021

9. PAYCHECK PROTECTION PROGRAM

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 ("PPP") which was established under the Coronavirus Aid, Relief, and Economic Security ("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. On April 7, 2021, Catholic Charities received a second PPP loan, with proceeds of \$1,412,117 from a promissory note issued by Bank of the West. The term on the loan is 66 months, and the annual interest rate is 1.00%. Payments of principal and interest are deferred for the first year 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.

Catholic Charities recorded the loans as a refundable advance and recognized grant revenue in accordance with guidance for conditional contributions, that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. For the year ended April 30, 2021, Catholic Charities recognized \$1,412,115 in PPP grant revenue.

10. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consisted of the following as of April 30, 2021:

Board designated - Board Directed Fund	\$ 175,765
Board designated - Endowment	11,797,392
Board designated - Care for the Elderly	<u>1,070,304</u>
	13,043,461
Operating	<u>1,504,048</u>
	<u>\$ 14,547,509</u>

Catholic Charities of the East Bay
Notes to Financial Statements
April 30, 2021

11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of April 30, 2021:

Housing Counseling	\$ 506,768
Immigration	103,416
Federal homelessness advocacy	14,554,369
Rolke Family Foundation Endowment Fund	110,209
Youth: Restorative Justice & Violence Prevention	61,649
Financial assistance	390,760
Family literacy program	119,593
Care for the elderly	1,044,735
General support	944,633
Charitable remainder trust	<u>178,056</u>
	<u>\$ 18,014,188</u>

During the year ended April 30, 2020, Catholic Charities received a contribution 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 and any earnings on the investment of the proceeds of the sale are restricted by the donor for federal homelessness advocacy.

For the year ended April 30, 2021, net assets released from restriction were \$3,660,763, which were released from purpose restrictions.

12. ENDOWMENT

The Catholic Charities' endowment consists of donor-restricted endowment funds and board-designated endowment funds. As required by U.S. 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:

Catholic Charities of the East Bay
Notes to Financial Statements
April 30, 2021

12. ENDOWMENT (continued)

Interpretation of relevant law (continued)

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the 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

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, 2021 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment	\$ 11,797,392	\$ -	\$ 11,797,392
Donor-restricted endowment	<u>-</u>	<u>114,417</u>	<u>114,417</u>
	<u>\$ 11,797,392</u>	<u>\$ 114,417</u>	<u>\$ 11,911,809</u>

Catholic Charities of the East Bay
Notes to Financial Statements
April 30, 2021

12. ENDOWMENT (continued)

Endowment composition (continued)

Changes in endowment net assets for the fiscal year ended April 30, 2021 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance, April 30, 2020	\$ 10,127,802	\$ -	\$ 10,127,802
Investment return			
Interest and dividends	305,535	-	305,535
Net realized and unrealized gains	<u>1,916,654</u>	<u>14,417</u>	<u>1,931,071</u>
Total investment return	2,222,189	14,417	2,236,606
Contributions	-	100,000	100,000
Appropriation of net assets	<u>(552,599)</u>	<u>-</u>	<u>(552,599)</u>
	<u>1,669,590</u>	<u>114,417</u>	<u>1,784,007</u>
Balance, April 30, 2021	<u>\$ 11,797,392</u>	<u>\$ 114,417</u>	<u>\$ 11,911,809</u>

13. 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, 2021 amounted to \$218,841.

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

<u>Year ending April 30,</u>	
2022	\$ 255,872
2023	133,101
2024	137,094
2025	<u>80,755</u>
	<u>\$ 606,822</u>

14. 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, 2021, the total cost of coverage was \$85,463.

Catholic Charities of the East Bay
Notes to Financial Statements
April 30, 2021

14. RELATED PARTY (continued)

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, 2021, the total rental cost was \$204,289.

15. 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, 2021 amounted to \$90,414.

16. CONCENTRATIONS

During the year ended April 30, 2021, grants made by three grantors accounted for approximately 38% of total revenue. As of April 30, 2021, amounts from one donor and one grantor accounted for approximately 30% of total receivables.

17. 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 2022, with the expectation that Catholic Charities will continue to build toward a minimum of 60 days in cash.

Catholic Charities of the East Bay
Notes to Financial Statements
April 30, 2021

17. LIQUIDITY AND FUNDS AVAILABLE (continued)

The following is a quantitative disclosure which describes assets that are available within one year of April 30, 2021 to fund general expenditures and other obligations when they become due:

Financial assets	
Cash and cash equivalents	\$ 3,496,360
Grants receivable	806,295
Contributions receivable, net	<u>660,064</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 4,962,719</u>

Catholic Charities has financial assets and cash and cash equivalents available at April 30, 2021 to cover approximately 134 days and 94 days, respectively, of operating expenses based on the fiscal year 2022 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, 2021 will be released and available for general expenditure within one year.

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 board-designated funds could be made available in its entirety if needed (see Note 10).

18. 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 ("CARES") Act, which includes significant provisions to provide relief and assistance to affected organizations. See Note 9.

COVID-19 could adversely affect the economies and financial markets of many countries, namely the United States, resulting in an economic downturn that could affect Catholic Charities in a variety of ways. Catholic Charities cannot anticipate all of the ways in which COVID-19 could adversely impact the Catholic Charities' operations. Although Catholic Charities is continuing to monitor and assess the effects of the COVID-19 pandemic on Catholic Charities' operations, the ultimate impact of the COVID-19 outbreak, the CARES Act, and other governmental initiatives is highly uncertain and subject to change.

SUPPLEMENTARY INFORMATION

Catholic Charities of the East Bay
Schedule of Activities for Contracts with Alameda County
For the Year Ended April 30, 2021

Contract Number	17150	900139
Contract Period	2/01/2019- 6/30/2021	7/01/2020-6/30/2021
Contract Period Amount	\$ 371,000	\$ 72,669

Contract/Program Description	Juvenile Justice Crime Prevention Act - Community Supervision Programs	Alameda County Child Abuse Prevention, Intervention, and Treatment	Total
Revenue			
Grants	<u>\$ 86,503</u>	<u>\$ 47,469</u>	<u>\$ 355,222</u>
Expenses			
Employee compensation			
Salaries	\$ 59,551	\$ 25,541	\$ 248,294
Employee benefits	8,130	2,585	31,325
Payroll taxes	<u>6,896</u>	<u>2,632</u>	<u>28,457</u>
	<u>74,577</u>	<u>30,758</u>	<u>308,076</u>
Other operating expenses			
Contracted services	-	1,800	2,050
Occupancy cost	1,392	54	4,829
Other	646	48	2,997
Telephone	543	329	1,819
Printing and publications	-	-	6
Supplies	908	-	2,869
Training and conferences	-	375	535
Indirect	<u>4,000</u>	<u>-</u>	<u>23,781</u>
	<u>7,489</u>	<u>2,606</u>	<u>38,886</u>
	<u>\$ 82,066</u>	<u>\$ 33,364</u>	<u>\$ 346,962</u>

SINGLE AUDIT REPORTS AND SCHEDULES

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, 2021, 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 February 4, 2022.

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

February 4, 2022

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM, INTERNAL CONTROL OVER COMPLIANCE, AND ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited Catholic Charities of the East Bay (a California nonprofit corporation) ("Catholic Charities")'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Catholic Charities's major federal programs for the year ended April 30, 2021. Catholic Charities's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Catholic Charities's major federal programs 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* (the "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's 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 each major federal program. However, our audit does not provide a legal determination of Catholic Charities's compliance.

Opinion on Each Major Federal Program

In our opinion, Catholic Charities complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended April 30, 2021.

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's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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's 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 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 weakness or significant deficiencies.

We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the Catholic Charities's financial statements as of and for the year ended April 30, 2021, and have issued our report thereon dated February 4, 2022, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.



Armanino^{LLP}
San Ramon, California

February 4, 2022

Catholic Charities of the East Bay
Schedule of Expenditures of Federal Awards
For the Year Ended April 30, 2021

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<u>Expenditures of Federal Awards</u>			
U.S. Department of Justice ("DOJ")			
Direct award			
Office of Juvenile Justice and Delinquency Prevention	16.543		<u>\$ 52,953</u>
Pass-through program from the State of California Office of Victims of Crime:			
Crime Victim Assistance	16.575	UV20051632	<u>152,054</u>
Total U.S. Department of Justice ("DOJ")			<u>205,007</u>
U.S. Department of Homeland Security ("DHS")			
Pass-through program from the County of Alameda:			
Emergency Food and Shelter National Board Program	97.024	063400-051	<u>30,782</u>
Pass-through program from the County of Contra Costa:			
Emergency Food and Shelter National Board Program	97.024	066000-058	<u>47,053</u>
Total U.S. Department of Homeland Security ("DHS")			<u>77,835</u>
U.S. Department of Housing and Urban Development ("HUD")			
Pass-through program from City of Oakland:			
Community Development Block Grant Program	14.218		<u>1,499,325</u>
Total U.S. Department of Housing and Urban Development ("HUD")			<u>1,499,325</u>
U.S. Department of Health and Human Services ("DHHS")			
Direct awards			
Substance Abuse and Mental Health Services_Projcts of Regional and National Significance	93.243		<u>65,343</u>
Pass-through program from Contra Costa County:			
Employment and Human Services Department	93.556	20-333-1	<u>67,707</u>
Total U.S. Department of Health and Human Services ("DHHS")			<u>133,050</u>
Total Expenditures of Federal Awards			<u>\$ 1,915,217</u>

The accompanying notes to the Schedule of Expenditures of Federal Awards
are an integral part of this schedule.

Catholic Charities of the East Bay
Notes to Schedule of Expenditures of Federal Awards
April 30, 2021

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Catholic Charities of the East Bay (the "Catholic Charities") under programs of the federal government for the year ended April 30, 2021. The information in this Schedule is presented in accordance with the 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). 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 the 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 the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement. Pass-through entity identifying numbers are presented where available and applicable.

3. INDIRECT COST RATE

Catholic Charities has elected to not use the 10% de minimus indirect cost rate for federal awards. Catholic Charities applies indirect costs in accordance with the specific terms of its federal award agreements.

Catholic Charities of the East Bay
 Schedule of Findings and Questioned Costs
 For the Year Ended April 30, 2021

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Community Development Block Grant Program	14.218
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	No

Catholic Charities of the East Bay
Schedule of Findings and Questioned Costs
For the Year Ended April 30, 2021

SECTION II - SUMMARY OF FINANCIAL STATEMENT FINDINGS

There are no financial statement findings to be reported.

SECTION III - SUMMARY OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no federal award findings to be reported.

Catholic Charities of the East Bay
Summary Schedule of Prior Audit Findings
For the Year Ended April 30, 2021

There were no prior year findings.