

## **Catholic Charities of the East Bay**

Financial Statements  
and Supplementary Information  
and Single Audit Reports and Schedules

April 30, 2022  
(With Comparative Totals for 2021)



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## INDEPENDENT AUDITOR'S REPORT

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

### **Opinion**

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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

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, 2022, 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.

### **Basis for Opinion**

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Catholic Charities of the East Bay and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### **Supplementary Information**

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 June 4, 2024, on our consideration of Catholic Charities's 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's 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's internal control over financial reporting and compliance.

### **Report on Summarized Comparative Information**

We have previously audited Catholic Charities of the East Bay's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 24, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended April 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Armanino<sup>LLP</sup>  
San Ramon, California

June 4, 2024

Catholic Charities of the East Bay  
Statement of Financial Position  
April 30, 2022  
(With Comparative Totals for 2021)

	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	\$ 164,615	\$ 3,496,360
Cash and cash equivalents held for other organizations	3,501,487	2,750,455
Grants receivable	2,788,539	806,295
Contributions receivable, net	221,313	660,064
Prepaid and other current assets	26,561	40,509
Total current assets	6,702,515	7,753,683
Noncurrent assets		
Cash and cash equivalents held for long-term purposes	1,506,271	1,187,034
Investments in marketable securities	20,779,175	15,940,650
Receivable from charitable remainder trust	191,633	178,056
Contributions receivable, net of current portion	407,287	282,120
Endowment investments	4,886,862	11,911,809
Property and equipment, net	2,133,255	2,306,754
Total noncurrent assets	29,904,483	31,806,423
Total assets	\$ 36,606,998	\$ 39,560,106
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 1,480,516	\$ 1,097,638
Funds held for other organizations	3,501,487	2,750,455
Deferred revenue	-	172,678
Line of credit	437,711	429,568
Paycheck Protection Program refundable advance	115,219	1,412,137
Current portion of note payable	50,242	47,918
Total current liabilities	5,585,175	5,910,394
Note payable, net of current portion	1,038,005	1,088,015
Total liabilities	6,623,180	6,998,409
Net assets		
Without donor restrictions		
Operating	632,666	1,504,048
Board designated	12,700,801	13,043,461
Total without donor restrictions	13,333,467	14,547,509
With donor restrictions	16,650,351	18,014,188
Total net assets	29,983,818	32,561,697
Total liabilities and net assets	\$ 36,606,998	\$ 39,560,106

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, 2022  
(With Comparative Totals for 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
Revenues, gains and other support				
Contributions	\$ 1,126,614	\$ 497,148	\$ 1,623,762	\$ 1,740,692
Bequests	885,976	-	885,976	705,729
Private grants	797,115	389,005	1,186,120	3,482,916
Paycheck Protection Program grant	1,312,137	-	1,312,137	1,412,115
Government grants	8,708,305	-	8,708,305	4,805,866
Program services revenue	409,303	-	409,303	479,455
Fundraising and special events	152,977	-	152,977	29,344
Other revenue	92,243	-	92,243	327,893
Net assets released from restriction	<u>1,207,015</u>	<u>(1,207,015)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>14,691,685</u>	<u>(320,862)</u>	<u>14,370,823</u>	<u>12,984,010</u>
Functional expenses				
Program services	<u>10,807,545</u>	<u>-</u>	<u>10,807,545</u>	<u>9,295,392</u>
Support services				
Management and general	3,736,549	-	3,736,549	2,497,961
Fundraising	<u>574,338</u>	<u>-</u>	<u>574,338</u>	<u>814,021</u>
Total support services	<u>4,310,887</u>	<u>-</u>	<u>4,310,887</u>	<u>3,311,982</u>
Total functional expenses	<u>15,118,432</u>	<u>-</u>	<u>15,118,432</u>	<u>12,607,374</u>
Change in net assets from operations	<u>(426,747)</u>	<u>(320,862)</u>	<u>(747,609)</u>	<u>376,636</u>
Non-operating activity				
Realized and unrealized gains (losses), net of investment expenses of \$50,224 in 2022 and \$138,016 in 2021	(1,025,802)	(1,190,282)	(2,216,084)	2,458,087
Interest and dividends	<u>238,507</u>	<u>147,307</u>	<u>385,814</u>	<u>336,985</u>
Total non-operating activity	<u>(787,295)</u>	<u>(1,042,975)</u>	<u>(1,830,270)</u>	<u>2,795,072</u>
Change in net assets	(1,214,042)	(1,363,837)	(2,577,879)	3,171,708
Net assets, beginning of year	<u>14,547,509</u>	<u>18,014,188</u>	<u>32,561,697</u>	<u>29,389,989</u>
Net assets, end of year	<u>\$ 13,333,467</u>	<u>\$ 16,650,351</u>	<u>\$ 29,983,818</u>	<u>\$ 32,561,697</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, 2022  
(With Comparative Totals for 2021)

	Program Services	Support Services		Total Support Services	2022 Total	2021 Total
		Management and General	Fundraising			
Personnel expenses						
Salaries and wages	\$ 3,766,753	\$ 1,441,053	\$ 307,598	\$ 1,748,651	\$ 5,515,404	\$ 4,816,466
Employee benefits	428,129	132,173	17,072	149,245	577,374	815,909
Payroll taxes	402,894	135,439	27,601	163,040	565,934	356,498
Total personnel expenses	4,597,776	1,708,665	352,271	2,060,936	6,658,712	5,988,873
Contract services	477,791	1,004,753	115,416	1,120,169	1,597,960	1,415,203
Financial assistance to individuals	5,321,029	-	-	-	5,321,029	3,609,508
Occupancy expense	150,492	432,848	9,983	442,831	593,323	590,580
Depreciation and amortization	-	177,976	-	177,976	177,976	177,976
Other expenses	124,643	170,297	84,564	254,861	379,504	448,805
Telephone	10,268	125,329	544	125,873	136,141	99,563
Printing and publications	986	11,833	7,717	19,550	20,536	61,152
Supplies	21,357	18,943	213	19,156	40,513	53,136
Travel	6,150	2,154	109	2,263	8,413	5,127
Interest expense	53,111	23,362	-	23,362	76,473	71,966
Events	13,961	852	970	1,822	15,783	33,757
Training and conferences	11,349	3,601	232	3,833	15,182	3,925
Postage	15,366	10,573	2,319	12,892	28,258	33,183
Equipment rental	3,266	45,363	-	45,363	48,629	14,620
Total 2022 functional expense	<u>\$ 10,807,545</u>	<u>\$ 3,736,549</u>	<u>\$ 574,338</u>	<u>\$ 4,310,887</u>	<u>\$ 15,118,432</u>	
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>

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, 2022  
(With Comparative Totals for 2021)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ (2,577,879)	\$ 3,171,708
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	177,976	177,976
Contributions restricted for endowment	-	(100,000)
Net unrealized gains from charitable remainder trust	(13,577)	(16,709)
Net realized and unrealized (gains) losses on investments	2,216,084	(2,458,087)
Gain on disposal of property and equipment	-	(800)
Changes in operating assets and liabilities		
Grants receivable	(1,982,244)	264
Contributions receivable, net	313,584	265,355
Prepaid and other current assets	13,948	55,637
Accounts payable and accrued expenses	382,878	(122,932)
Funds held for other organizations	751,032	(720,577)
Deferred revenue	(172,678)	132,678
Paycheck Protection Program refundable advance	(1,296,918)	1,412,137
Net cash provided by (used in) operating activities	<u>(2,187,794)</u>	<u>1,796,650</u>
Cash flows from investing activities		
Purchases of investments	(11,165,359)	(22,501,340)
Redemption of investments	11,135,697	7,797,013
Purchases of property and equipment	(4,477)	(111,209)
Net cash used in investing activities	<u>(34,139)</u>	<u>(14,815,536)</u>
Cash flows from financing activities		
Principal payments on note payable	(47,686)	(45,662)
Cash received for endowment contributions	-	100,000
Net borrowings on line of credit	8,143	26,064
Net cash provided by (used in) financing activities	<u>(39,543)</u>	<u>80,402</u>
Net decrease in cash, cash equivalents and cash held for other organizations and long-term purposes	(2,261,476)	(12,938,484)
Cash, cash equivalents and cash held for other organizations and long-term purposes, beginning of year	<u>7,433,849</u>	<u>20,372,333</u>
Cash, cash equivalents and cash held for other organizations and long-term purposes, end of year	<u>\$ 5,172,373</u>	<u>\$ 7,433,849</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, 2022  
(With Comparative Totals for 2021)

	2022	2021
Cash, cash equivalents and cash held for other organizations and long-term purposes consisted of the following:		
Cash and cash equivalents	\$ 164,615	\$ 3,496,360
Cash and cash equivalents held for other organizations	3,501,487	2,750,455
Cash and cash equivalents held for long-term purposes	1,506,271	1,187,034
	\$ 5,172,373	\$ 7,433,849

Supplemental disclosure of cash flow information

Cash paid during the year for interest	\$ 76,473	\$ 71,966
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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, 2022

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, 2022

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, 2022

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 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 which ranged from 0.16% to 2.79% during the year ended April 30, 2022. 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.

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, 2022, Catholic Charities received \$1,755 worth of in-kind goods and services.

Catholic Charities of the East Bay  
Notes to Financial Statements  
April 30, 2022

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, 2022

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	10 - 30 years
Automobiles	3 - 5 years
Furniture and fixtures	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 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.

Catholic Charities of the East Bay  
Notes to Financial Statements  
April 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

- *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, 2022. The Organization received cost-reimbursable grants of approximately \$4,007,000 that have not been recognized at April 30, 2022 because qualifying expenditures have not yet been incurred.

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.

Catholic Charities of the East Bay  
Notes to Financial Statements  
April 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional expenses (continued)

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, 2022, 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.

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, 2021, from which the summarized information was derived.



Catholic Charities of the East Bay  
Notes to Financial Statements  
April 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Reclassifications

Certain amounts in the 2021 financial statements have been reclassified to conform to the 2022 presentation.

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, 2022:

Receivable in less than one year	\$ 259,395
Receivable in one to five years	<u>423,096</u>
	682,491
Less discount on long-term pledges	(15,809)
Less allowance for doubtful accounts	<u>(38,082)</u>
	<u><u>\$ 628,600</u></u>

4. INVESTMENTS

Investments consisted of the following:

Investments in marketable securities	\$ 20,779,175
Endowment investments	<u>4,886,862</u>
	<u><u>\$ 25,666,037</u></u>

Catholic Charities of the East Bay  
Notes to Financial Statements  
April 30, 2022

4. INVESTMENTS (continued)

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, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Fixed income	\$ 13,091,796	\$ -	\$ -	\$ 13,091,796
Equities	11,296,289	-	-	11,296,289
Alternative stocks	697,232	-	-	697,232
Structured investments	580,720	-	-	580,720
Receivable from charitable remainder trust	<u>-</u>	<u>-</u>	<u>191,633</u>	<u>191,633</u>
	<u>\$ 25,666,037</u>	<u>\$ -</u>	<u>\$ 191,633</u>	<u>\$ 25,857,670</u>

The following table sets forth a summary of changes in the fair value of Level 3 investments for the year ended April 30, 2022:

Balance, beginning of year	\$ 178,056
Unrealized gains	<u>13,577</u>
Balance, end of year	<u>\$ 191,633</u>

5. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following as of April 30, 2022:

Land	\$ 374,224
Buildings	3,945,113
Automobiles	40,634
Furniture and fixtures	471,328
Construction in progress	<u>104,695</u>
	4,935,994
Accumulated depreciation and amortization	<u>(2,802,739)</u>
	<u>\$ 2,133,255</u>

Depreciation and amortization expense for the year ended April 30, 2022 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, 2022

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 (1.84% at April 30, 2022). Catholic Charities has a balance outstanding of \$437,711 at April 30, 2022. The line is collateralized by a portion of Catholic Charities' investment balance and is due on demand (see Note 10).

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>		
2023	\$	50,242
2024		52,547
2025		55,227
2026		57,905
2027		60,713
Thereafter		811,613
	\$	1,088,247

Catholic Charities of the East Bay  
Notes to Financial Statements  
April 30, 2022

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 was two years and the annual interest rate was 1.00%. Payments of principal and interest were deferred for the first six months of the loan. On April 7, 2021, Catholic Charities received a second PPP loan, with proceeds of \$1,412,137 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. On September 15, 2021, the first PPP loan was forgiven in full.

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, 2022, Catholic Charities recognized \$1,312,137 in PPP grant revenue based on the conditions met. As of April 30, 2022, the PPP refundable advance amounted to \$115,219 and includes \$15,219 of accrued interest. Catholic Charities began to repay the balance of the refundable advance subsequent to year end (see Note 18).

10. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consisted of the following as of April 30, 2022:

Board designated - Board Directed Fund	\$ 939,409
Board designated - Endowment	4,783,507
Board designated - Pledged securities	6,000,000
Board designated - Care for the Elderly	<u>977,885</u>
	12,700,801
Operating	<u>632,666</u>
	<u><u>\$ 13,333,467</u></u>

Catholic Charities of the East Bay  
Notes to Financial Statements  
April 30, 2022

11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of April 30, 2022:

Housing Counseling	\$ 271,389
Immigration	245,625
Federal homelessness advocacy	13,504,670
Rolke Family Foundation Endowment Fund	103,355
Youth: Restorative Justice & Violence Prevention	92,741
Financial assistance	438,834
Family literacy program	105,237
Care for the elderly	1,014,376
General support	682,491
Charitable remainder trust	<u>191,633</u>
	<u>\$ 16,650,351</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, 2022, net assets released from restriction were \$1,207,015, 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, 2022

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, 2022 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment	\$ 4,783,507	\$ -	\$ 4,783,507
Donor-restricted endowment	<u>-</u>	<u>103,355</u>	<u>103,355</u>
	<u>\$ 4,783,507</u>	<u>\$ 103,355</u>	<u>\$ 4,886,862</u>

Catholic Charities of the East Bay  
Notes to Financial Statements  
April 30, 2022

12. ENDOWMENT (continued)

Endowment composition (continued)

Changes in endowment net assets for the fiscal year ended April 30, 2022 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance, April 30, 2021	\$ 11,797,392	\$ 114,417	\$ 11,911,809
Investment return			
Interest and dividends	201,642	5,490	207,132
Net realized and unrealized loss	<u>(945,961)</u>	<u>(16,552)</u>	<u>(962,513)</u>
Total investment return	(744,319)	(11,062)	(755,381)
Contributions	(269,566)	-	(269,566)
Transfer out of board-designated endowment	<u>(6,000,000)</u>	<u>-</u>	<u>(6,000,000)</u>
	<u>(7,013,885)</u>	<u>(11,062)</u>	<u>(7,024,947)</u>
Balance, April 30, 2022	<u>\$ 4,783,507</u>	<u>\$ 103,355</u>	<u>\$ 4,886,862</u>

As discussed in Note 7, Catholic Charities' line of credit has been collateralized by \$6,000,000 of unrestricted securities in the board-designated endowment since the line of credit's creation in the year ended April 30, 2018. During the year ended April 30, 2022, Catholic Charities reclassified \$6,000,000 of the board-designated endowment to be designated as pledged securities serving as collateral for the line of credit.

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, 2022 amounted to \$249,648.

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

<u>Year ending April 30,</u>	
2023	\$ 133,101
2024	137,094
2025	<u>80,755</u>
	<u>\$ 350,950</u>

Catholic Charities of the East Bay  
Notes to Financial Statements  
April 30, 2022

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, 2022, the total cost of coverage was \$94,702.

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, 2022, the total rental cost was \$81,323.

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, 2022 amounted to \$103,510.

16. CONCENTRATIONS

During the year ended April 30, 2022, grants made by three grantors accounted for approximately 38% of total revenue. During the year ended April 30, 2022, bequests from three individuals accounted for 100% of the bequest revenue, grants from five organizations accounted for 82% of private grant revenue, and grants from two grantors accounted for 75% of government grant revenue. As of April 30, 2022, amounts from four grantors accounted for approximately 88% of total grants receivable, and two donors accounted for approximately 25% of contributions receivable.

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 2023, 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, 2022

17. LIQUIDITY AND FUNDS AVAILABLE (continued)

The following is a quantitative disclosure which describes assets that are available within one year of April 30, 2022 to fund general expenditures and other obligations when they become due:

Financial assets	
Cash and cash equivalents	\$ 164,615
Grants receivable	2,788,539
Contributions receivable, net	<u>221,313</u>
Financial assets available to meet cash needs for general expenditure within one year	 <u>\$ 3,174,467</u>

Catholic Charities has financial assets and cash and cash equivalents available at April 30, 2022 to cover approximately 97 days and 5 days, respectively, of operating expenses based on the fiscal year 2023 daily budgeted run rate for all program and support services expense of approximately \$32,800, 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, 2022 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. SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 4, 2024, 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.

Subsequent to year-end, Catholic Charities began making repayments on its second PPP loan amounting to \$102,000.

Catholic Charities has drawn approximately \$1,900,000 on its line of credit since April 30, 2022.

SUPPLEMENTARY INFORMATION

Catholic Charities of the East Bay  
Schedule of Activities for Contracts with Alameda County  
For the Year Ended April 30, 2022

Contract Number	00000353	00000274
	7/01-2021-	2/11/2019 -
Contract Period	6/30/2022	6/30/2024
Contract Period Amount	\$ 78,724	\$ 455,000

<u>Contract/Program Description</u>	<u>Social Services Agency Child Abuse Prevention, Intervention &amp; Treatment</u>	<u>Alameda County Probation Department Grant</u>	<u>Total</u>
Revenue			
Grants	<u>\$ 70,565</u>	<u>\$ 90,987</u>	<u>\$ 252,539</u>
Expenses			
Employee compensation			
Salaries	\$ 15,800	\$ 92,478	\$ 200,756
Employee benefits	2,043	5,507	13,057
Payroll taxes	1,418	9,439	20,296
	<u>19,261</u>	<u>107,424</u>	<u>234,109</u>
Other operating expenses			
Program expenses	300	1,934	4,168
Occupancy cost	391	20,031	40,453
Other	50	248	546
Fees and charges	7,975	670	9,315
Indirect	-	645	1,290
	<u>8,716</u>	<u>23,528</u>	<u>55,772</u>
	<u>\$ 27,977</u>	<u>\$ 130,952</u>	<u>\$ 289,881</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, 2022, 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 June 4, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Catholic Charities's internal control over financial reporting (internal control) as a basis for designing 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's internal control. Accordingly, we do not express an opinion on the effectiveness of Catholic Charities's 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified.

We identified certain deficiencies in internal control, described in the accompanying schedule of findings and prior year findings as items 2022-001, 2022-002, 2022-003 and 2022-004 that we consider to be material weaknesses.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Catholic Charities's 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Catholic Charities of the East Bay's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on Catholic Charities's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Catholic Charities response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **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's 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's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Armanino<sup>LLP</sup>  
San Ramon, California

June 4, 2024



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**

**Opinion on 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 identified as subject to audit 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, 2022. 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.

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, 2022.

**Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Catholic Charities and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Catholic Charities's compliance with the compliance requirements referred to above.

**Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Catholic Charities's federal programs.

## **Auditor’s Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Catholic Charities’s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Catholic Charities’s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Catholic Charities’s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Catholic Charities’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Catholic Charities’s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weakness or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 financial statements of Catholic Charities as of and for the year ended April 30, 2022, and have issued our report thereon dated June 4, 2024, 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<sup>LLP</sup>  
San Ramon, California

June 4, 2024

Catholic Charities of the East Bay  
Schedule of Expenditures of Federal Awards  
For the Year Ended April 30, 2022

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Assistance Listing 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		\$ 160,862
Pass-through program from the State of California Office of Victims of Crime: Crime Victim Assistance	16.575	UV20051632	<u>230,748</u>
Total U.S. Department of Justice ("DOJ")			<u>391,610</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	15,326
Pass-through program from the County of Contra Costa: Emergency Food and Shelter National Board Program	97.024	066000-058	<u>25,815</u>
Total U.S. Department of Homeland Security ("DHS")			<u>41,141</u>
U.S. Department of Housing and Urban Development ("HUD")			
Pass-through program from City of Oakland:			
Community Development Block Grant Program	14.218	1006076	2,197,149
Community Development Block Grant Program	14.218	1005781	3,130,822
Community Development Block Grant Program	14.218	1005525	<u>162,257</u>
Total U.S. Department of Housing and Urban Development ("HUD")			<u>5,490,228</u>
U.S. Department of Health and Human Services ("DHHS")			
Direct awards			
Substance Abuse and Mental Health Services_ Projects of Regional and National Significance	93.243		78,828
Pass-through program from Contra Costa County: Employment and Human Services Department	93.556	20-224-2	<u>111,217</u>
Total U.S. Department of Health and Human Services ("DHHS")			<u>190,045</u>
Total Expenditures of Federal Awards			<u>\$ 6,113,024</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, 2022

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 (a California nonprofit corporation) (the "Catholic Charities") under programs of the federal government for the year ended April 30, 2022. 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 minimis 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, 2022

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?	Yes
Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
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>Assistance Listing 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, 2022

SECTION II - SUMMARY OF FINANCIAL STATEMENT FINDINGS

<b>Finding number:</b>	<b>2022-001 Year End Close</b>
Criteria:	The trial balance and supporting schedules should be finalized and materially accurate prior to the start of an audit.
Condition:	Catholic Charities provided a variety of material adjustments to accounts identified during the audit as well as multiple revisions of schedules in which the audit team identified errors. Further, supporting schedules for various accounts were not provided until after scheduled fieldwork.
Cause:	Catholic Charities experienced significant turnover and a shortage of staffing in the finance department. As such, Catholic Charities did not have the proper controls in place to ensure the books were closed timely and accurately.
Effect or potential effect:	Catholic Charities had material adjustments to their trial balance during and subsequent to the scheduled audit fieldwork.
Recommendation:	We recommend that the Catholic Charities staff ensure that all supporting supporting schedules are reconciled to the general ledger accounts and that management has reviewed all schedules and the final trial balance before providing the schedules and the trial balance for the audit.
View of responsible officials:	Management agrees with finding and has already begun implementing changes to controls and policies. Routine reconciliations to general ledger accounts will be done monthly, and management will review all schedules and the trial balance before the audit.
<b>Finding number:</b>	<b>2022-002 Government Grant Revenue</b>
Criteria:	Revenue from cost-reimbursable government grants should be recognized when expenditures have been incurred in compliance with specific grant provisions, and support should be retained for all instances of revenue recognition.
Condition:	Catholic Charities incurred approximately \$1,020,000 of expenditures on certain government contracts during 2023 that were recognized as government grant revenue during 2022 when the billing for the contracts was completed. Further, Catholic Charities was unable to locate invoices to substantiate an instance of government grant revenue that was recognized.
Cause:	Catholic Charities experienced significant turnover and a shortage of staffing in the finance department. As such, Catholic Charities did not have adequate and timely controls in place to review government grant revenue recognition to ensure government grant revenue is properly recognized as expenditures are incurred and all supporting documentation is retained.
Effect or potential effect:	Catholic Charities overstated its 2022 government grant revenue by approximately \$1,020,000. An audit adjusting entry was booked to properly record the government grant revenue.

Catholic Charities of the East Bay  
Schedule of Findings and Questioned Costs  
For the Year Ended April 30, 2022

SECTION II - SUMMARY OF FINANCIAL STATEMENT FINDINGS (continued)

Recommendation:	We recommend management develop a comprehensive revenue recognition policy to ensure the proper recognition of government grants in accordance with U.S. GAAP. The policy should include a detailed periodic review of the status of contracts, expenditures incurred under the contracts, whether billed or unbilled, that will allow for the identification of proper revenue recognition. It should also include the retention of backup support for all instances of revenue recognition.
View of responsible officials:	Management agrees with the finding and is making changes to controls and policies. Management will create a detailed policy to ensure government grants are recognized correctly according to U.S. GAAP. The finance team uses a digital system for storing and organizing backup documents, with management reviewing each transaction and its documents before approval and posting.
<b>Finding number:</b>	<b>2022-003 Contribution Revenue</b>
Criteria:	Contributions, including unconditional promises to give, should be recognized as revenue in the period the promise is received and as either with or without donor restrictions, depending upon donor restrictions, if any. Conditional promises to give should be recognized as they become unconditional, that is, once the measurable performance or other barrier and right of return no longer exist.
Condition:	Catholic Charities incurred approximately \$1,300,000 of allowable expenditures under the Paycheck Protection Program guidance but did not recognize the revenue in accordance with conditional contribution guidance. Catholic Charities further recorded approximately \$295,000 of contributions without donor-imposed restrictions as net assets with donor restrictions and recorded \$130,000 of contribution revenue when the cash was received and not when they were notified of the unconditional promise to give.
Cause:	Catholic Charities experienced significant turnover and a shortage of staffing in the finance department. As such, Catholic Charities did not have adequate and timely controls in place to review contribution revenue to ensure that the revenue was properly booked in accordance with revenue recognition standards.
Effect or potential effect:	Catholic Charities understated its 2022 PPP revenue by approximately \$1,300,000. An audit adjusting entry was booked to properly record the government grant revenue. Further, Catholic Charities overstated their additions to net assets with donor imposed restrictions as well as their total releases of net assets with donor restrictions by approximately \$295,000. An audit adjustment was recorded to properly reflect the net asset balances. Catholic Charities understated its 2022 contribution revenue and contribution receivable by \$80,000. An audit adjusting entry was booked to properly reflect the contribution revenue. Catholic Charities also understated its 2021 contribution revenue and contribution receivable by \$50,000 and overstated its 2022 contribution revenue by \$50,000.

Catholic Charities of the East Bay  
Schedule of Findings and Questioned Costs  
For the Year Ended April 30, 2022

SECTION II - SUMMARY OF FINANCIAL STATEMENT FINDINGS (continued)

Recommendation:	We recommend management develop a comprehensive revenue recognition policy to ensure the proper recognition of contributions in accordance with U.S. GAAP. The policy should include a detailed periodic review of contribution revenue and receivables, as well as the classification of net assets, that will allow for the identification of proper revenue recognition.
View of responsible officials:	Management agrees with finding and is in the process of implementing changes to controls and policies. Management will develop a U.S. GAAP-compliant policy for contribution revenue and receivables and ensure net assets are accurately classified and reviewed monthly for compliance.
<b>Finding number:</b>	<b>2022-004 Grants Receivable</b>
Criteria:	Account details should reconcile to the general ledger balance, and an allowance for doubtful receivables analysis should be performed to determine if an allowance should be established to reserve for potential uncollectible receivable balances.
Condition:	Catholic Charities was unable to reconcile their grant receivable aging to the general ledger balance and did not book a sufficient allowance against uncollectible or significantly aged grants receivable.
Cause:	Catholic Charities experienced significant turnover and a shortage of staffing in the finance department. As such, Catholic Charities did not perform timely reconciliations or evaluate significantly aged receivables to determine if an allowance was necessary.
Effect or potential effect:	Catholic Charities could potentially misstate their grants receivable and government grant revenue by approximately \$160,000, and understate its allowance for doubtful receivables balance by approximately \$390,000.
Recommendation:	We recommend that management perform a thorough analysis of grants receivable and reconcile the aging detail back to the general ledger balance periodically throughout the year. This analysis should also include an analysis of significantly aged receivables to determine if a reserve is needed. For any significantly aged grants receivable, communication should be made directly with the funders to determine if and when payment on the receivable balance will be received.
View of responsible officials:	Management agrees with finding and has already implemented changes to controls and processes. Management will reconcile grants receivable with the general ledger quarterly and review older receivables annually before year-end to determine if a reserve is needed. For aged receivables, management will contact funders to confirm payment timing.

Catholic Charities of the East Bay  
Schedule of Findings and Questioned Costs  
For the Year Ended April 30, 2022

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, 2022

There were no prior year findings.