CATHOLIC CHARITIES, INC.

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Years Ended June 30, 2022 and 2021

CATHOLIC CHARITIES, INC.
Wichita, Kansas

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
CATHOLIC CHARITIES, INC.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Catholic Charities, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Catholic Charities, Inc. as of June 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, Inc. 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 opinions.

Prior Period Financial Statements

The financial statements of Catholic Charities, Inc. as of June 30, 2021, were audited by other auditors whose report dated December 10, 2021 expressed an unmodified opinion on those statements.

Emphasis of Matters

As discussed in Note 1 to the financial statements, Catholic Charities, Inc. adopted new accounting guidance, FASB Accounting Standards Update (ASU) 2020-07 *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets* and ASU 2016-02 *Leases*. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, Catholic Charities, Inc. changed the accounting for recording the subsidy received from the Diocese to better reflect revenue earned each period, which required a restatement of beginning net assets. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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, Inc.'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 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, Inc.'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, Inc.'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 accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is 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 schedule of expenditures of federal awards 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 December 6, 2022, on our consideration of Catholic Charities, Inc.'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 solely 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, Inc.'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, Inc's internal control over financial reporting and compliance.

Swindoll, Janzen, Hawk & Loyd, LLC

Wichita, Kansas
December 6, 2022

CATHOLIC CHARITIES, INC.

STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

ASSETS

	2022	2021
ASSETS		
Cash and cash equivalents	$ 1,258,798	$ 4,225,123
Accounts receivable		
Grants	300,823	258,767
Clients, net of allowance for doubtful accounts of $5,700 in 2022 and $3,000 in 2021	150,998	205,748
Contributions receivable		
Promises to give, net of discount of $15,931 in 2022 and $17,208 in 2021	196,881	523,995
Investments	7,599,346	5,476,529
Prepaid expenses	573	65,537
Operating lease right-of-use asset	62,408	-
Finance lease right-of-use assets, net of amortization of $53,033 in 2022	79,549	-
Property and equipment, net	8,117,459	8,063,984
TOTAL ASSETS	$ 17,766,835	$ 18,819,683

LIABILITIES AND NET ASSETS

	2022	2021
LIABILITIES		
Accounts payable	$ 53,185	$ 94,064
Accrued compensation and benefits	334,310	321,642
Deferred revenue	29,140	-
Operating lease right-of-use liability	63,230	-
Finance lease right-of-use liability	81,451	11,868
TOTAL LIABILITIES	561,316	427,574
NET ASSETS		
Without donor restrictions	12,672,540	13,491,194
With donor restrictions	4,532,979	4,900,915
TOTAL NET ASSETS	17,205,519	18,392,109
TOTAL LIABILITIES AND NET ASSETS	$ 17,766,835	$ 18,819,683

CATHOLIC CHARITIES, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2022

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS AND OTHER SUPPORT			
Net client service fees	$ 1,706,521	$ -	$ 1,706,521
Public grants	3,096,336	-	3,096,336
Private grants	-	92,874	92,874
Contributions of cash and other financial assets	2,077,268	-	2,077,268
Contributions of nonfinancial assets	1,104,543	-	1,104,543
Diocesan subsidy	742,600	-	742,600
United Way funding	312,652	-	312,652
Fundraising events	238,158	-	238,158
Change in market value of investments	(625,685)	(304,324)	(930,009)
Other	198,072	-	198,072
TOTAL REVENUE, GAINS AND OTHER SUPPORT	8,850,465	(211,450)	8,639,015
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of purpose restrictions	156,486	(156,486)	-
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	156,486	(156,486)	-
EXPENSES			
Program services			
Counseling	325,552	-	325,552
Adult Day Services	1,563,422	-	1,563,422
Our Daily Bread	833,647	-	833,647
Southeast Kansas Social Services	602,335	-	602,335
St. Anthony Family Shelter	1,704,248	-	1,704,248
Harbor House	2,332,712	-	2,332,712
Foster Grandparents	396,312	-	396,312
Immigration Services	326,077	-	326,077
Support Services			
Management and general	1,374,954	-	1,374,954
Fundraising and public relations	366,346	-	366,346
TOTAL EXPENSE	9,825,605	-	9,825,605
CHANGE IN NET ASSETS	(818,654)	(367,936)	(1,186,590)
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	13,491,194	4,900,915	18,392,109
NET ASSETS, END OF YEAR	$ 12,672,540	$ 4,532,979	$ 17,205,519

See Notes to Financial Statements

CATHOLIC CHARITIES, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (continued)
For the Year Ended June 30, 2021

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS AND OTHER SUPPORT			
Net client service fees	$ 1,366,775	$ -	$ 1,366,775
Public grants	3,315,510	-	3,315,510
Private grants	-	124,978	124,978
PPP forgiveness	360,184	-	360,184
Contributions of cash and other financial assets	1,338,739	602,174	1,940,913
Contributions of nonfinancial assets	1,305,080	-	1,305,080
Diocesan subsidy	710,600	-	710,600
United Way funding	376,991	-	376,991
Fundraising events	140,423	-	140,423
Change in market value of investments	520,475	466,670	987,145
Other	12,956	-	12,956
TOTAL REVENUE, GAINS AND OTHER SUPPORT	9,447,733	1,193,822	10,641,555
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of purpose restrictions	5,813,758	(5,813,758)	-
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	5,813,758	(5,813,758)	-
EXPENSES			
Program services			
Counseling	388,513	-	388,513
Adult Day Services	1,191,778	-	1,191,778
Our Daily Bread	1,078,376	-	1,078,376
Southeast Kansas Social Services	516,336	-	516,336
St. Anthony Family Shelter	1,545,588	-	1,545,588
Harbor House	2,467,669	-	2,467,669
Foster Grandparents	474,605	-	474,605
Immigration Services	283,610	-	283,610
Support Services			
Management and general	1,342,002	-	1,342,002
Fundraising and public relations	293,632	-	293,632
TOTAL EXPENSE	9,582,109	-	9,582,109
CHANGE IN NET ASSETS	5,679,382	(4,619,936)	1,059,446
NET ASSETS, BEGINNING OF YEAR			
As previously reported	7,811,812	10,231,451	18,043,263
Prior period adjustment	-	(710,600)	(710,600)
Balance at beginning of year, as restated	7,811,812	9,520,851	17,332,663
NET ASSETS, END OF YEAR, AS RESTATED	$ 13,491,194	$ 4,900,915	$ 18,392,109

CATHOLIC CHARITIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2022

	Program Services					
	Counseling	Adult Day Services	Our Daily Bread	Southeast Kansas Social Services	Homeless Prevention	Harbor House
Salaries and benefits	$ 216,280	$ 835,519	$ 54,008	$ 214,718	$ 782,387	$ 1,248,420
Professional fees and dues	42,037	151,285	73,086	41,160	205,179	289,982
Occupancy	56,011	113,290	18,110	15,682	129,674	117,189
Supplies	4,229	121,602	674,213	4,890	141,603	199,237
Travel and automobile	-	57,899	8,403	1,731	13,885	21,009
Stipends	-	-	-	-	-	-
Special assistance to individuals	-	-	-	318,807	313,154	327,642
Other	6,266	5,097	397	2,101	22,481	56,437
Subtotal	324,823	1,284,692	828,217	599,089	1,608,363	2,259,916
Depreciation and amortization	729	278,730	5,430	3,246	95,885	72,796
TOTAL EXPENSES	$ 325,552	$ 1,563,422	$ 833,647	$ 602,335	$ 1,704,248	$ 2,332,712

See Notes to Financial Statements

CATHOLIC CHARITIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES (continued)
For the Year Ended June 30, 2022

	Program Services		Support Services		
	Foster Grandparents	Immigration Services	Management and General	Fundraising and Public Relations	Total
Salaries and benefits	$ 142,495	$ 221,783	$ 1,447,965	$ 222,509	$ 5,386,084
Professional fees and dues	43,620	45,950	(627,388)	15,294	280,205
Occupancy	19,118	39,388	339,713	2,698	850,873
Supplies	16,160	13,221	117,466	118,894	1,411,515
Travel and automobile	33,993	-	4,643	110	141,673
Stipends	139,676	-	-	-	139,676
Special assistance to individuals	-	-	-	-	959,603
Other	1,250	5,179	(23,252)	6,841	82,797
Subtotal	396,312	325,521	1,259,147	366,346	9,252,426
Depreciation and amortizatior	-	556	115,807	-	573,179
TOTAL EXPENSES	$ 396,312	$ 326,077	$ 1,374,954	$ 366,346	$ 9,825,605

CATHOLIC CHARITIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2021

	Program Services					
	Counseling	Adult Day Services	Our Daily Bread	Southeast Kansas Social Services	Homeless Prevention	Harbor House
Salaries and benefits	$ 262,168	$ 666,855	$ 59,396	$ 185,984	$ 732,168	$ 1,260,417
Professional fees and dues	72,847	145,480	64,643	37,810	179,389	270,954
Occupancy	24,001	142,004	17,136	10,169	110,958	126,590
Supplies	4,216	68,764	922,996	3,397	132,579	233,724
Travel and automobile	-	35,168	6,008	263	7,371	19,294
Stipends	-	-	-	-	-	-
Special assistance to individuals	11,735	-	-	276,561	272,806	418,276
Other	12,281	6,092	46	373	8,342	60,105
Subtotal	387,248	1,064,363	1,070,225	514,557	1,443,613	2,389,360
Depreciation and amortizatior	1,265	127,415	8,151	1,779	101,975	78,309
TOTAL EXPENSES	$ 388,513	$ 1,191,778	$ 1,078,376	$ 516,336	$ 1,545,588	$ 2,467,669

CATHOLIC CHARITIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES (continued)
For the Year Ended June 30, 2021

	Program Services		Support Services		
	Foster Grandparents	Immigration Services	Management and General	Fundraising and Public Relations	Total
Salaries and benefits	$ 152,058	$ 199,889	$ 1,362,130	$ 164,504	$ 5,045,569
Professional fees and dues	39,193	46,633	(588,024)	19,121	288,046
Occupancy	7,675	15,956	342,063	1,779	798,331
Supplies	4,206	14,067	97,308	95,483	1,576,740
Travel and automobile	11,069	-	3,693	72	82,938
Stipends	260,261	-	-	-	260,261
Special assistance to individuals	-	-	-	-	979,378
Other	143	6,321	(40,719)	12,673	65,657
Subtotal	474,605	282,866	1,176,451	293,632	9,096,920
Depreciation and amortizatior	-	744	165,551	-	485,189
TOTAL EXPENSES	$ 474,605	$ 283,610	$ 1,342,002	$ 293,632	$ 9,582,109

See Notes to Financial Statements

CATHOLIC CHARITIES, INC.

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (1,186,590)	$ 1,059,446
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	573,179	485,189
Realized and unrealized (gain) loss on investments	937,778	(982,386)
Donated facility usage recorded as contributions	(218,880)	(218,880)
Donated facility usage recorded as occupancy expense	218,880	218,880
Donated food and supplies recorded as contributions	(885,663)	(1,086,200)
Donated food and supplies recorded as supplies expense	885,663	1,086,200
Reduction in carrying amount of financing lease right-of-use asset (amortization) reported as occupancy expense	53,033	-
Change in operating lease right of use liability	822	-
Loss on disposal of property and equipment	36,231	-
Decrease (increase) in:		
Accounts receivable	12,694	(134,794)
Contributions receivable	327,114	1,197,623
Prepaid expenses	64,964	(65,537)
Increase (decrease) in:		
Accounts payable	(40,879)	11,525
Accrued compensation and benefits	12,668	16,655
Deferred revenue	29,140	(240,184)
NET CASH FLOWS FROM OPERATING ACTIVITIES	820,154	1,347,537
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(662,885)	(4,077,770)
Purchase of investments	(3,244,936)	-
Withdrawals from managed investment accounts	184,341	126,469
NET CASH FLOWS FROM INVESTING ACTIVITIES	(3,723,480)	(3,951,301)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on finance lease right of use liability	(62,999)	(15,098)
NET CASH FLOWS FROM FINANCING ACTIVITIES	(62,999)	(15,098)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,966,325)	(2,618,862)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,225,123	6,843,985
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,258,798	$ 4,225,123

See Notes to Financial Statements

(1) Summary of significant accounting policies

Description of Organization – Catholic Charities, Inc. (Organization) is sponsored by the Catholic Diocese of Wichita. The Chancery Office of the Diocese provides an annual subsidy to partially fund the programs and services provided by the Organization.

The Organization provides the following programs and services throughout the Catholic Diocese of Wichita:

Counseling – Individual, family, marital, and school counseling services.

Adult Day Services – Licensed facility provides a range of services for the aged and those with developmental, mental and physical disabilities, as well as Alzheimer's/Dementia.

Our Daily Bread – Helps individuals and families meet their nutritional needs by utilizing a model that allows them to personally select products from our food pantry on a monthly basis.

Southeast Kansas Social Services – Client assistance including rent and utilities with access to other community support services focused primarily in an eleven county area in the southeastern portion of Kansas.

Homeless Prevention – St. Anthony Family Shelter helps homeless families receive emergency shelter, in-house and follow-up case management services, life-skills training and family support services. The Seeds for Success Program helps clients who are facing poverty obtain, maintain and advance in employment by identifying and removing barriers. The SSVF (Supportive Services for Veteran Families) program assists low-income veterans and their families to obtain and maintain stable housing.

Harbor House – Provides temporary shelter, counseling, education, outreach and advocacy to women and children who are victims of domestic violence. Outreach services extend to Via Christi Medical Center, the District Attorney's office, municipal court and the Wichita, Kansas Department of Children and Families Offices.

Foster Grandparents – Men and women age 55 and older are placed in 20 to 40 hour per week assignments working with "special needs" children, children in foster care and youth in a variety of community settings. A stipend is paid to those who meet income eligibility requirements.

Immigration Services – Assistance in applying for immigration and naturalization benefits, and interpreter services.

Financial statement presentation – Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. FASB ASU 2016-14 and requires the Organization to report information regarding its financial position and activities utilizing two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets, revenues, expenses, gains and losses are classified based on the existence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor-imposed restrictions.

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

(1) **Summary of significant accounting policies (continued)**

Cash and cash equivalents – Cash and cash equivalents includes checking and all highly liquid debt instruments purchased with an original maturity of three months or less. There were no cash equivalents at June 30, 2022 and 2021.

Accounts receivable – The Organization's accounts receivable are primarily due from grantor agencies and clients. The allowance for doubtful accounts, if necessary, is specifically determined by management for each payor type balance considering a number of factors, including the length of time accounts receivable are past due, previous loss history and the customer's current ability to pay its obligation to the Organization. The Organization provides an allowance for doubtful accounts receivable when they become uncollectible. Uncollectible accounts receivable and payments subsequently received on such receivables are charged or credited to the allowance for doubtful accounts.

Contributions receivable – Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are initially recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. No allowance for uncollectible accounts has been established for promises to give, since management deems them fully collectible. Conditional promises to give are not included as support until the conditions are substantially met.

Investments – Investments consist of money market funds, mutual funds, equity securities, and investment in the Catholic Diocese of Wichita endowment fund and the Community Foundation of Southeast Kansas. These investments are reported at fair value in the accompanying financial statements as discussed in Note 2. Fair value is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Investment income and gains – Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions net of related investment fees if the restrictions are met in the reporting period in which the income and gains are recognized.

Property and equipment – Property and equipment is carried at cost, if purchased, or estimated fair value at the date of donation, if donated. The rights to use a building, along with related leasehold improvements, are amortized over the shorter of the lease term or their respective estimated useful lives. Construction in process includes assets that are capitalized but have not yet been placed in service and depreciation has not yet begun.

Depreciation and amortization – Depreciation and amortization is computed by the straight-line method for the Organization over the following useful lives or lease terms of property and equipment:

Software	3 - 5 years
Vehicles	3 - 5 years
Furniture & fixtures	5 - 10 years
Building and improvements	10 - 40 years
Right-of-use asset - building space	5 years
Right-of-use asset - equipment	2-5 years

(1) Summary of significant accounting policies (continued)

Income taxes – The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that may be uncertain. The Organization accounts for its uncertain tax positions in accordance with FASB ASC topic 740 *Accounting for Uncertainty in Income Taxes (ASC 740),* which clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements and applies to all tax positions related to income taxes under ASC 740. Management has considered its tax positions and believes that all of the positions taken by the Organization in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. Tax years with open statutes of limitations are 2019 and forward.

Revenue and revenue recognition – The Organization's exchange-type revenues are generated from counseling, immigration services, and adult day services. Counseling services and immigration services are not associated with client contracts and make up approximately 16% of net client service fees. Services are rendered at the time of the appointment with no further performance obligation. Therefore, revenue is recognized at the time the service is rendered and payment from the customer is due. For adult day services, which consist of approximately 84% of net client service fees, there is an agreement for each client that the organization will provide services, working towards specified objectives, and will be compensated at a fixed rate based on the number of client days provided. Performance obligations are satisfied over time, as client days are provided.

Client service fees are recorded at net realizable amounts, which represent list price net of contractual adjustments (which are the difference between charges and the amount received or receivable from third-party payors) deducted to arrive at net client service fees.

Grant revenue is recognized when the related reimbursable expenditures are incurred. Revenue collected in advance of related expenditures is presented as deferred grant revenue in the statements of financial position.

Unconditional contributions are recognized when cash, securities or other assets, or an unconditional promise to give is received, and are classified as either net assets with donor restrictions or net assets without donor restrictions.

Conditional contributions are accounted for as a liability or are not recognized as revenue initially until the barriers to entitlement are overcome, at which point a transaction is recognized as unconditional and classified as either a net asset with donor restrictions or a net asset without donor restrictions.

Contributions received and unconditional promises to give are initially measured at fair value and are reported as an increase in net assets. Gifts of cash and other assets are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated asset or if they are designated by the donor as support for future periods. When the donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets are reclassified to net assets without donor restrictions and are reported in the statement of activities and changes in net assets as net assets released from restrictions. Conditional promises to give, which are dependent upon the occurrence of a specified future event or other stipulation, are recognized when the conditions are substantially met.

(1) <u>Summary of significant accounting policies</u> (continued)

Recognition of donor restrictions – Support that is restricted by the donor and any investment income, gains, or losses from that support is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributions of nonfinancial assets and services – Nonfinancial assets received are initially measured at fair value and are reported as an increase in net assets. See note 10 for details.

Functional allocation of expenses – The costs of providing program and other activities has been summarized on a functional basis in the statement of activities and changes in net assets. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied. Salaries and benefits are allocated based on the roles and responsibilities of certain employees. Rent, utilities, depreciation, and other expenses associated with occupancy are allocated based on a pro-rata basis, based on the percentage of square footage occupied.

Advertising costs – Advertising costs are charged to operations when incurred. Total advertising costs for the years ended June 30, 2022 and 2021 were $82,798 and $38,870, respectively, and are reported as supplies in the accompanying statements of functional expenses.

Use of estimates – Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Change in accounting principle – At the end of each fiscal year, the Organization has historically recorded the funding amount requested from the Catholic Diocese of Wichita for the future period as a receivable and recognized the respective revenue for the requested amount in the statement of activities and changes in net assets. In the current year, it was determined this amount should be recognized as revenue when received rather than in advance, as there is no contractual obligation for the Catholic Diocese of Wichita to pay the amount requested. As such, an adjustment was made to change the recognition of revenue and respective receivable for the years presented. This change resulted in revenue of $742,600 previously recognized in 2021 being recognized in 2022 and $710,600 recognized in 2020 being recognized in 2021 and a respective adjustment to beginning net assets as of July 1, 2020 for the related receivable previously recorded in 2020 of $710,600. This adjustment also reduced the previously reported change in net assets for the year ended June 20, 2021 by the net effect of $32,000.

New accounting pronouncements – In February 2016, the FASB issued ASU 2016-02, *Leases*, which once implemented will result in lessees recognizing most leased assets and corresponding lease liabilities on the statement of financial position. The Organization elected to adopt the new standard early, effective July 1, 2021. See note 7 for details.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The objective of this ASU is to increase transparency of contributed nonfinancial assets for not-for-profit (“NFP”) entities through enhancements to presentation and disclosure. The amendments in this ASU apply to NFPs that receive contributed nonfinancial assets. Contribution revenue may be presented in the financial statements using different terms (for example, gifts, donations, grants, gifts-in-kind, donated services, or other terms).

(1) <u>Summary of significant accounting policies</u> (continued)

The term nonfinancial asset includes fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies,
intangible assets, services, and unconditional promises of those assets. The amendments in this ASU will improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets for NFPs, including additional disclosure requirements for recognized contributed services. The amendments will not change the recognition and measurement requirements.

The Organization adopted the new standard effective July 1, 2021 as required by the standard using a retrospective approach applying the guidance to the years ended June 30, 2022 and 2021. The adoption resulted in an increase of $218,880 to the previously reported 2021 revenue and expense due to recognition of the fair market value of contributed rent, but had no impact on total assets, total liabilities, and change in net assets. See Note 10 to the financial statements for disclosure information regarding contributed nonfinancial assets.

Reclassifications – Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. There were no changes to the net asset balances.

(2) <u>Fair value measurements</u>

FASB ASC topic, 820 *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level or any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis. There have been no changes in the methodologies used at June 30, 2022 and 2021.

Money Market: Valued at the closing price reported on the active market and classified as Level 1.

Equity Securities: The equity securities are actively traded and valued at the daily closing price (Level 1).

Community Foundation of Southeast Kansas: The Organization has a beneficial interest in the Community Foundation of Southeast Kansas (CFSK). The carrying value of this pooled investment is based on fair value as represented to the Organization by the CFSK manager. The Organization and CFSK endeavor to utilize the best available information in measuring fair value. The Organization considers the measurement of its beneficial interest in the CFSK to be a level 3 measurement within the fair value measurement hierarchy.

(2) Fair value measurements (continued)

Catholic Diocese of Wichita Endowment Fund: The Organization's investment in the Catholic Diocese of Wichita endowment fund (Fund) is valued by the Catholic Diocese of Wichita based on estimates of the underlying investments of the Funds as provided by fund managers and based on other market-based data. Because the Organization owns an undivided interest in the Fund, its unit of account, for fair value measurement purposes is its interest in the Fund. The Organization cannot look through the Fund to its underlying assets for the classification level in the fair value hierarchy. Rather, it must consider if relevant observable inputs exist for an undivided interest in the Fund. The Fund is classified as Level 3 in the fair value hierarchy because no observable inputs exist for an undivided interest in the Fund.

The following table summarizes the best valuation of the Organization's investments by the above valuation hierarchy at fair value measured on a recurring basis, as of June 30, 2022 and 2021:

	June 30, 2022			
	Fair Value	Level 1	Level 2	Level 3
Endowment funds:				
Community Foundation of Southeast Kansas	$ 27,495	$ -	$ -	$ 27,495
Catholic Diocese of Wichita	6,842,417	-	-	6,842,417
Unendowed investments:				
Money market	589,570	589,570	-	-
Equity securities	67,273	67,273	-	-
Fixed income	72,591	72,591	-	-
Total Investments	$ 7,599,346	$ 729,434	$ -	$ 6,869,912

	June 30, 2021			
	Fair Value	Level 1	Level 2	Level 3
Catholic Diocese of Wichita	$ 5,476,529	$ -	$ -	$ 5,476,529
Total Investments	$ 5,476,529	$ -	$ -	$ 5,476,529

Changes in assets measured at fair value using significant unobservable inputs (level 3) are as follows:

	2022	2021
Endowment fund, beginning of the year	$ 5,476,529	$ 4,620,612
Change in market value of investments	(937,778)	982,386
Gifts and board designated additions	2,515,502	-
Withdrawals	(184,341)	(126,469)
Endowment fund, end of year	$ 6,869,912	$ 5,476,529

(3) Liquidity and availability

The following reflects the Organization's financial assets as of June 30, 2022 and 2021, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date:

	2022	2021
Financial assets at year-end:		
Cash and cash equivalents	$ 1,258,798	$ 4,225,123
Accounts receivable		
Grants	300,823	258,767
Clients, net of allowance for doubtful accounts	150,998	205,748
Contributions receivable		
Promises to give, net of discount	196,881	523,995
Investments	7,599,346	5,476,529
Total financial assets	9,506,846	10,690,162
Less amounts unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Purpose-restricted net assets	2,324,560	2,299,367
Donor-restricted endowment funds	2,208,419	2,601,548
Board-designated endowment fund	4,661,493	2,874,981
Financial assets available to meet cash needs for general expenditures within one year	$ 312,374	$ 2,914,266

The above table reflects donor-restricted and board-designated endowment funds as unavailable because it is the Organization's intention to invest those resources for the long-term support of the Organization. However, if necessary, the Board of Directors could appropriate from either the donor-restricted funds available for general use ($2,208,419, of which $1,956,283 is the original gift) or from its board-designated endowment fund ($4,661,493). The board designated endowment fund above includes net assets with and without donor restrictions. Note 4 provides additional information about the Organization's endowment funds.

(4) Endowment funds

The endowment includes donor-restricted permanently endowed funds, other donor funds that are restricted as to purpose only and have been designated by the Board of Directors (Board) for investment in the Catholic Diocese of Wichita endowment fund (Fund), and unrestricted funds designated by the Board to be invested in the Fund. 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.

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in

(4) Endowment funds (continued)

accordance with the direction of the applicable gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund continues to be reported as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by KS UPMIFA.

In accordance with KS UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

Endowment net asset composition by type of fund is as follows:

	June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment funds	$ 3,028,677	$ -	$ 3,028,677
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	1,956,283	1,956,283
Accumulated investment gains	-	252,136	252,136
Board designated endowment derived from donor-restricted funds	53,616	1,579,200	1,632,816
	$ 3,082,293	$ 3,787,619	$ 6,869,912

	June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment funds	$ 2,163,470	$ -	$ 2,163,470
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	1,956,283	1,956,283
Accumulated investment gains	-	645,265	645,265
Board designated endowment from donor-restricted funds	123,690	587,821	711,511
	$ 2,287,160	$ 3,189,369	$ 5,476,529

(4) Endowment funds (continued)

Changes in endowment net assets are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Assets
June 30, 2020	$ 1,866,441	$ 2,754,171	$ 4,620,612
Realized and unrealized gains on investments, net	515,717	466,669	982,386
Reclassification of Board designated amounts	(55,478)	55,478	-
Amounts appropriated for expenditure	(39,520)	(86,949)	(126,469)
June 30, 2021	$ 2,287,160	$ 3,189,369	$ 5,476,529
Gifts and board designated additions	1,490,502	1,025,000	2,515,502
Realized and unrealized losses on investments, net	(633,454)	(304,324)	(937,778)
Reclassification of Board designated amounts	33,621	(33,621)	-
Amounts appropriated for expenditure	(95,536)	(88,805)	(184,341)
June 30, 2022	$ 3,082,293	$ 3,787,619	$ 6,869,912

Return Objective and Risk Parameters - The Organization 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. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity as well as Board designated funds. The Organization's endowment consists of amounts invested in the Fund. The Fund targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. The Fund invests in equities, fixed income securities, alternative investment strategies and cash equivalents with the primary objective being preservation of the Fund's purchasing power, seeking a balance between long-term appreciation and current income with relatively low tolerance for risk. The Fund investments shall also meet the objectives of social and moral responsibility in harmony with the teachings of the Catholic Church. The Fund's investment objectives over any five-year moving average is to exceed the annualized increase in the Consumer Price Index by six percentage points and to equal or exceed 105% of a defined composite portfolio. Actual returns of the Fund in any given year may vary from this amount.

Spending Policy - Since the purpose of the endowments is to provide for future needs, the reinvestment of earnings and long-term growth is encouraged. The annual withdrawal limit is set at 4% of the average market value of the Fund, determined annually based on the ending market values for the previous twelve calendar quarters.

(5) Promises to give

Promises to give, which are related to a capital campaign for the Organization's Adult Day Services facility, as of June 30 are as follows:

	2022	2021
Within one year	$ 100,827	$ 337,187
In one to five years	111,985	204,016
	212,812	541,203
Less discount to net present value	15,931	17,208
	$ 196,881	$ 523,995

Long-term promises to give have been discounted using a 4.375% and 3.25% rate for 2022 and 2021, respectively. For the year ended June 30, 2022, all promises to give are unconditional.

(6) Property and equipment

Property and equipment is carried at cost, if purchased, or fair market value, if donated. Property and equipment as of June 30, 2022 and 2021, consisted of the following:

	2022	2021
Land	$ 554,520	$ 554,520
Buildings	9,475,465	9,493,238
Building improvements	389,634	493,484
Furniture and equipment	2,094,443	1,612,985
Vehicles	508,081	498,341
Software	576,940	542,028
Construction in Process	875	364
Total cost	13,599,958	13,194,960
Less: accumulated depreciation	(5,482,499)	(5,130,976)
Net property and equipment	$ 8,117,459	$ 8,063,984

Depreciation and amortization expense for the years ended June 30, 2022 and 2021 totaled $573,179 and $485,189, respectively.

(7) Leases

The Organization adopted ASU 2016-02, effective as of July 1, 2021 as the initial application date under the optional transition method. Consequently, financial information and disclosures under the new standard are not provided for dates prior to July 1, 2021. Prior period information is still disclosed under ASC 840. The new standard provides a number of optional expedients in transition. The Organization did not elect the package of practical expedients, the use-of-hind-sight, or the practical expedient pertaining to land easements; the latter not being applicable to the Organization. The organization elected the short-term lease recognition exemption, the practical expedient to not separate lease and non-lease components for all leases, and the risk-free rate option for non-public companies.

At adoption, the Organization recorded right of use assets of $213,362 and lease liabilities of $213,362 as of July 1, 2021. Leases consist of office facilities and copier equipment with various terms under long-term non-cancelable operating and finance lease arrangements. The leases expire at various dates through 2024. An operating lease provides for increases in future minimum annual rental payments. The discount rate represents the risk-free discount rate using a period comparable with that of the individual lease term.

Total right-of-use assets and lease liabilities at June 30, 2022 are as follows:

Operating lease right-of-use asset	$	62,408
Finance lease right-of-use asset, net		79,549
Total leased right-of-use asset	$	141,957
Lease Liabilities - Classification in Statement of Financial Position		
Operating lease right-of-use liability	$	63,230
Finance lease right-of-use liability		81,451
Total leased right-of-use liability	$	144,681

Total lease costs for the year ended June 30, 2022 are as follows:

Operating lease costs	$	19,007
Finance lease costs:		
Interest expense		493
Amortization of right-of-use asset (recorded as occupancy expense)		53,033
	$	72,533

Weighted-average discount rate:		
Operating leases	0.89%	
Finance leases	0.47%	
Weighted-average remaining lease term:		
Operating leases	4.33	years
Finance leases	2.50	years

(7) Leases (continued)

Future minimum lease payments required under operating and finance leases that have an initial or remaining non-cancelable lease term in excess of one year are as follows:

Years Ending June 30,	Finance	Operating
2023	$ 51,624	$ 18,460
2024	30,114	18,736
2025	-	19,020
2026	-	7,965
2027	-	-
Thereafter	-	-
Total lease payments	81,738	64,181
Less: imputed interest	(287)	(951)
Present value of liability	$ 81,451	$ 63,230

Disclosure of prior period leases under ASC 840: rent expense related to non-cancellable operating leases was $69,445 for the year ended June 30, 2021.

(8) Retirement plan

The Organization provides a 403(b) tax deferred plan, restated effective April 1, 2022, for its employees. The tax deferred plan matches employee contributions up to 6%. All contributions are limited to the amount allowable by law. Retirement expense totaled $107,813 and $104,469 for the years ended June 30, 2022 and 2021, respectively.

(9) Net client service fees

The Organization has agreements with third-party payors that provide for payments to the Organization at amounts less than its established rates. Client service fees were recorded net of $362,351 and $221,553 of contractual adjustments for the years ended June 30, 2022 and 2021, respectively.

(10) Contributed nonfinancial assets

For the years ended June 30, 2022 and 2021, contributed nonfinancial assets recognized within the statement of activities included:

	2022	2021
Supplies (Food)	$ 680,549	$ 890,642
Rent	218,880	218,880
Supplies	205,114	195,558
	1,104,543	1,305,080

The Organization recognized contributed nonfinancial assets within revenue, including contributed food, non-food supplies, and rent. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Contributed food and non-food items were predominantly utilized in the following programs: St. Anthony Family Shelter, Harbor House, and Our Daily Bread food pantry. In valuing food and non-food items, the Organization estimates the fair value on the basis of estimates utilized by the donor based on studies performed by the donor.

(10) Contributed nonfinancial assets (continued)

Contributed rent is used for general and administrative activities. In valuing the contributed rent, associated with offices located in the downtown, Wichita area, the Organization estimated the fair value on the basis of recent comparable rental rates per square foot in the Wichita area.

(11) Functional allocation of expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities and changes in net assets. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied.

(12) Related party transactions

Lease Agreement - During 2010, the Organization signed a lease agreement with the Catholic Diocese of Wichita for administrative offices and ministry facilities. The lease agreement provides the Organization with use of a portion of a building for 40 years at rent of one dollar per year. The lease period began in February 2013. The lease agreement also includes a requirement for the Organization and the Catholic Diocese of Wichita to deposit $500 per month and $750 per month, respectively, to a maintenance reserve account until the account balance reaches $200,000. The monthly deposit requirements are adjusted by the consumer price index on an annual basis. As of June 30, 2022 and 2021, the monthly deposit requirements for the Organization were $586 and $561, respectively. The maintenance reserve account can only be used for major repairs or maintenance to the building that do not arise in the ordinary course of business and exceed $5,000. As of June 30, 2022 and 2021, the Organization held $55,997 and $45,659, respectively, in a maintenance reserve fund, recorded as cash on the statements of financial position.

(13) Concentrations

The Organization maintains its cash in one financial institution located in Wichita, Kansas. In addition, savings and investments are maintained at the Catholic Diocese of Wichita. In order to manage custodial credit risk, the Organization’s deposits in excess of federally insured limits are swept nightly into federal money market funds at the Goldman Sachs trust.

(14) Net assets with donor restrictions

Net assets with donor restrictions are for the following purposes from the following sources at June 30, 2022 and 2021:

	2022	2021
Subject to expenditure for specified purposes:		
Adult Day Services	$ 503,356	$ 695,500
Our Daily Bread	22,581	14,647
Counseling/School Counseling	494	-
SEK and Sumner County Social Services	16,214	24,201
Anthony Family Shelter	136,141	929,726
Immigration Services	313	363
Harbor House	34,812	47,039
Foster Grandparents	482	70
Management and general	30,967	-
Donor purpose restrictions within endowment	1,579,200	587,821
Endowment funds:		
Subject to appropriations prior to use	252,136	645,265
Maintained in perpetuity by donor	1,956,283	1,956,283
Total net assets with donor restrictions	$ 4,532,979	$ 4,900,915

(15) Board designated net assets

Designated net assets have been set aside by the Organization's Board of Directors from unrestricted net assets for Our Daily Bread, Anthony Family Shelter, Harbor House, and other Board designated purposes. Total board designated net assets at June 30, 2022, totaled $4,107,293 and are classified within net assets without donor restrictions on the statements of financial position.

(16) Supplemental cash flow disclosures

Supplemental cash flow information for the years ended June 30, 2022 and 2021 is as follows:

	2022	2021
Cash paid for interest	$ 598	$ 958
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 18,184	$ -
Non-cash investing and financing:		
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	$ 80,781	$ -
Finance leases	$ 132,582	$ -

(17) Paycheck Protection Program loan

During the year ended June 30, 2021 and 2020, the Organization received $120,000 and $932,200, respectively, of loan proceeds from the Payroll Protection Program (PPP) through the United States Small Business Administration and the Coronavirus Aid, Relief, and Economic Security (CARES) Act in response to the global COVID-19 pandemic. Through the PPP, if the Organization maintained certain employment levels and used the proceeds for certain expenses, the loan would be forgiven. The Organization met the requirements of the PPP and the loan was forgiven as of August 31, 2021 and February 18, 2021. The amount of the loan forgiveness obtained in fiscal year 2021 of $360,184 is reflected on the Statement of Activities and Changes in Net Assets for the year ended June 30, 2021.

(18) COVID -19 pandemic and related economic volatility

During the second quarter of calendar year 2020, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the Organization as of the date these financial statements were available to be issued, management believes that a material impact on the Organization's financial position and results of future operations, either positive or negative, is reasonably possible.

(19) Subsequent events

An evaluation of subsequent events was completed by management through December 6, 2022, which represents the date the financial statements were available to be issued.

On August 12, 2022, the Organization closed on the sale of its property at 5920 W. Central Avenue in Wichita, Kansas for a sales price of $650,000 with net proceeds of $549,787. The Organization will recognize a gain of $340,834 on the sale of this property during the year ended June 30, 2023.

CATHOLIC CHARITIES, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022

Federal Grantor/Pass-Through Entity/Program Title	Federal Assistance Listing Number	Grant Number or Pass-through Entity Identifying Number	Expenditures 07/01/21 - 06/30/22
U.S. Department of Agriculture			
Pass-through Kansas State Board of Education			
Child & Adult Care Food Program	10.558		$ 99,949
U.S. Department of Housing and Urban Development			
Direct programs			
Continuum of Care Rapid Rehousing Program	14.267	KS0143L7P071900	
		KS0143L7P072001	122,623
Continuum of Care Rapid Rehousing Program	14.267	KS0103L7P021904	
		KS0103L7P022005	133,604
Pass-through City of Wichita			
Community Development Block Grant (1)	14.218	B-21-MC-20-0004	81,720
Emergency Solutions Grant Program	14.231	E21-MC-20-0004	41,009
COVID-19 Emergency Solutions Grant Program	14.231	E21-MC-20-0004	14,036
Pass-through Kansas Housing Resources Corporation			
Emergency Solutions Grant Program	14.231	ESG-FFY2020	95,938
COVID-19 Emergency Solutions Grant Program	14.231	ESG-CV-FFY2020	96,212
Emergency Solutions Grant Program	14.231	ESG-FFY2021	100,957
Total U.S. Department of Housing and Urban Development			686,099
U.S. Department of Justice			
Direct programs			
Transitional Housing Assistance for Victims of Domestic Violence, Stalking, or Sexual Assault	16.736	2019-WH-AX-0073	77,237
Pass-through State of Kansas - Office of Attorney General			
Crime Victim Assistance	16.575	21-VOCA-44	
		22-VOCA-45	370,372
Violence Against Women Formula Grants	16.588	21-VAWA-19	
		22-VAWA-15	48,146
Total U.S. Department of Justice			418,518
U.S. Department of Treasury			
Pass-through City of Wichita			
Workforce Development Project - Gap Child Care Assistance	21.027	ARPA	1,270
U.S. Department of Veterans Affairs			
VA Supportive Services for Veteran Families Program	64.033	2014-KS-322	370,313
VA Supportive Services for Veteran Families Program	64.033	2014-KS-322SS	1,800
Total U.S. Department of Veterans Affairs			372,113

The accompanying notes are an integral part of this schedule

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022 (continued)

U.S. Department of Health and Human Services			
Pass-through Kansas Department of Children and Families			
Temporary Assistance for Needy Families (2)	93.558	EES-2020-DVSA-01	624,216
Pass-through Kansas Housing Resources Corporation			
Community Services Block Grant (2)	93.569	20DISCCARES17A	25,700
Pass-through State of Kansas - Office of the Governor			
Family Violence Prevention and Services Fund	93.671	22-FVPSA-16	78,623
Family Violence Prevention and Services Fund	93.671	FVPSA-DV-16	10,187
COVID-19 Family Violence Prevention and Services Fund	93.671	FVPSA-ARP-15	47,155
Total U.S. Department of Health and Human Services			785,881
Health Resources and Services Administration			
COVID-19 CARES Provider Relief Fund	93.498	Period 2	206,998
Corporation for National and Community Service			
AmeriCorps	94.006	20NDHVA002	3,855
Foster Grandparents Program (3)	94.011	21SFEKS001	344,321
Total Corporation for National and Community Service			348,176
U.S. Department of Homeland Security			
Pass-through United Way of the Plains			
COVID-19 Emergency Food and Shelter Program	97.024	Phase CARES	7,873
			$ 3,004,114

Clusters	
(1) HUD CDBG	$ 81,720
(2) HHS - 447 Cluster	649,916
(3) CNS - Foster Grandparent/Senior Companion Cluster	344,321

CATHOLIC CHARITIES, INC.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022

(1) Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Catholic Charities, Inc. under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

(2) Summary of significant accounting policies

Expenditures reported on the accompanying 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 are limited as to reimbursement.

(3) Indirect cost rate

The Organization has an approved indirect cost rate of 48.60%, effective from July 1, 2021 to June 30, 2025, applicable to all programs.

(4) Other expenditures

Catholic Charities, Inc. did not receive any federal awards in the form of noncash assistance, insurance, loans, or loan guarantees and incurred no expenditures in relation thereof for the year ended June 30, 2022.

SWINDOLL JANZEN HAWK & LOYD, LLC
Certified Public Accountants

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*

To the Board of Directors of
Catholic Charities, Inc.

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, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 6, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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. 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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

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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 the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Swindoll, Janzen, Hawk & Loyd, LLC

Wichita, KS
December 6, 2022

SWINDOLL
JANZEN
HAWK &
LOYD, LLC
Certified Public Accountants

Helping you get from where you are to where you want to B

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
Catholic Charities, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Catholic Charities, Inc.'s (Organization) 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 the Organization's major federal programs for the year ended June 30, 2022. The Organization'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, the Organization 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 June 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 the Organization 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 the Organization'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 the Organization'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 the Organization'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

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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 the Organization'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 the Organization'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 the Organization'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 the Organization'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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2022-001. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

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 weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a significant deficiency.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over* *compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2022-001, to be a significant deficiency.

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.

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

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

Swindoll, Janzen, Hawk & Loyd, LLC

Wichita, KS
December 6, 2022

CATHOLIC CHARITIES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022

Section 1 – Summary of Auditor's Results

Financial Statements

1. Type of auditor's report issued:	Unmodified, GAAP basis
2. Internal control over financial reporting:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified?	No
3. Noncompliance material to the financial statements noted?	No

Federal Awards

1. Internal control over major programs:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified?	Yes
2. Type of auditor's report issued on compliance for major programs:	Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	Yes
4. Identification of major programs:	

	Federal Assistance No.
477 Cluster:	
Temporary Assistance for Needy Families Grant	93.558
Community Services Block Grant	93.569
COVID-19 Provider Relief Fund – CARES Act	93.498

5. Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
6. Auditee qualified as a low-risk auditee?	Yes

Section 2 – Findings – Financial Statement Audit

None noted.

Section 3 – Findings and Questioned Costs – Major Federal Award Programs

477 Cluster

Temporary Assistance for Needy Families Grant No. 93.558

Finding #: 2022-001 – Significant Deficiency and Noncompliance

Condition: Two out of twelve client assistance transactions selected for testing did not include a properly completed SAFE Program Client Agreement form as requested by the DCF (grantor).

Criteria: Effective April of 2022, the grantor, DCF, requires the completion of a SAFE Program Client Agreement form for every client receiving financial aid through the program as evidence of eligibility for the program.

Questioned Costs: None were noted.

Context: One client assistance transaction did not include the SAFE Program Client Agreement form on file and one client assistance transaction did not include a Program Director's signature on the SAFE Program Client Agreement form as evidence of supervisor review. The SAFE Program Client Agreement was a new process requested by DCF and put in place effective April of 2022. As such, the process was in place for only three months of the fiscal year.

Effect: Failure to properly document client eligibility for client assistance per grantor process could result in improper approval of client assistance and lack of documentation to demonstrate compliance with eligibility requirements of the grant.

Recommendation: Ensure proper training of relevant personnel when implementing new controls over compliance or changes to existing controls.

Views of Responsible Officials (Unaudited): During the 2022 grant year for the Temporary Assistance for Needy Families Grant #93.558, the grantor implemented a new reporting tool, the SAFE Program Client Agreement Form (PCAF). The effective date of this new form requirement was on or about April 1, 2022. In April and May, while the PCAF process was in its infancy, two small assistance expenditures were charged to Catholic Charities credit card. In our accounts payable file supporting the payment of these charges, one charge was supported by a PCAF, but the PCAF lacked an approval signature from an authorized supervisor. The second charge was not supported by a PCAF. In both instances, the credit card package was approved in total by an authorized supervisor and the grantor approved the drawdown package that included these expenditures without comment. We believe that these two instances were start up exceptions and not reflective of our compliance with the procedure on an ongoing basis. The procedures for processing charges to this grant have been fully implemented and the team that administers the TANF grant has been fully trained in the proper documentation procedures regarding documenting the PCAF. We are confident that this training is sufficient to ensure compliance with the documentation requirements of the grantor and that our training procedures for any future documentation changes will help ensure a smooth incorporation of new requirements.

Section 4 – Summary Schedule of Prior Year Findings

None noted.

Catholic Charities
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CORRECTIVE ACTION PLAN

Catholic Charities, Inc.
437 N. Topeka St.
Wichita, KS 67202

Catholic Charities, Inc. respectfully submits the following correction action plan for the year ended June 30, 2022.

Audit Period: July 1, 2021 through June 30, 2022

Federal Award Findings and Questioned Costs

2022-001 Temporary Assistance for Needy Families Grant No. 93.558
Type of Findings – Significant Deficiency

Condition: Two out of twelve client assistance transactions selected for testing did not include a properly completed SAFE Program Client Agreement form as requested by the DCF (grantor).

Criteria: Effective April of 2022, the grantor, DCF, requires the completion of a SAFE Program Client Agreement form for every client receiving financial aid through the program as evidence of eligibility for the program.

Context: One client assistance transaction did not include the SAFE Program Client Agreement form on file and one client assistance transaction did not include a Program Director's signature on the SAFE Program Client Agreement form as evidence of supervisor review. The SAFE Program Client Agreement was a new process requested by DCF and put in place effective April of 2022. As such, the process was in place for only three months of the fiscal year.

Effect: Failure to properly document client eligibility for client assistance per grantor process could result in improper approval of client assistance and lack of documentation to demonstrate compliance with eligibility requirements of the grant.

Recommendation: Ensure proper training of relevant personnel when implementing new controls over compliance or changes to existing controls.

Management Response: During the 2022 grant year for the Temporary Assistance for Needy Families Grant #93.558, the grantor implemented a new reporting tool, the SAFE Program Client Agreement Form (PCAF). The effective date of this new form requirement was on or about April 1, 2022. In April and May, while the PCAF process was in its infancy, two small assistance expenditures were charged to a Catholic Charities' credit card. In our accounts payable file supporting the payment of these charges, one charge was supported by a PCAF, but the PCAF lacked an approval signature from an authorized supervisor. The second charge was not supported by a PCAF. In both instances, the credit card package was approved in total by an authorized supervisor and the grantor approved the drawdown package that included these expenditures without comment. We believe that these two instances were start up exceptions and not reflective of our compliance with the procedure on an ongoing basis. The procedures for processing charges to this grant have been fully implemented and the team that administers the TANF grant has been fully training in the proper documentation procedures regarding documenting the PCAF. We are confident that this training is sufficient to ensure compliance with the documentation requirements of the grantor and that our training procedures for any future documentation changes will help ensure a smooth incorporation of new requirements.

Sincerely,

William J. Wallisch

William J. Wallisch

Senior Director of Finance – Catholic Charities