

Catholic Charities CYO of the Archdiocese of San Francisco

Consolidated Financial Statements

June 30, 2020 with summarized comparative totals for 2019

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Catholic Charities CYO of the Archdiocese of San Francisco**

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Catholic Charities CYO of the Archdiocese of San Francisco and its affiliates (collectively the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Catholic Charities CYO of the Archdiocese of San Francisco and its affiliates as of June 30, 2020, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Report on Summarized Comparative Information

We have previously audited the Organization's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 30, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BAKER TILLY US, LLP

Baker Tilly US, LLP

San Francisco, California
December 18, 2020

CATHOLIC CHARITIES CYO OF THE ARCHDIOCESE OF SAN FRANCISCO
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2020 with Summarized Comparative Totals for 2019

	ASSETS	
	2020	2019
Assets		
Cash and cash equivalents	\$ 4,020,856	\$ 1,337,573
Investments	13,368,667	11,214,930
Receivables		
Program receivables, net	5,663,764	5,547,470
Contributions receivable	1,407,759	481,485
Prepaid expenses	236,636	409,558
Contractually restricted cash	6,638,823	5,928,118
Property and equipment, net	17,330,066	15,088,695
Other assets	150,868	224,139
	<u>\$ 48,817,439</u>	<u>\$ 40,231,968</u>
Total assets	<u>\$ 48,817,439</u>	<u>\$ 40,231,968</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 969,183	\$ 1,000,759
Accrued expenses	3,554,223	3,426,400
Deferred revenue and deferred compensation	242,531	668,422
Loans payable	7,862,490	7,686,220
Refundable advance - Paycheck Protection Program (PPP)	1,882,142	-
Contractual reserves	6,603,376	5,618,655
Conditional asset retirement obligations	810,005	808,746
	<u>21,923,950</u>	<u>19,209,202</u>
Total liabilities	<u>21,923,950</u>	<u>19,209,202</u>
Net Assets		
Without donor restrictions		
Undesignated	9,838,753	8,268,026
Board designated	3,112,421	1,240,281
Investment in property and equipment, net	8,657,567	6,593,729
	<u>21,608,741</u>	<u>16,102,036</u>
With donor restrictions	5,284,748	4,920,730
	<u>26,893,489</u>	<u>21,022,766</u>
Total net assets	<u>26,893,489</u>	<u>21,022,766</u>
Total liabilities and net assets	<u>\$ 48,817,439</u>	<u>\$ 40,231,968</u>

CATHOLIC CHARITIES CYO OF THE ARCHDIOCESE OF SAN FRANCISCO
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020 with Summarized Comparative Totals for 2019

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Government contracts	\$ 33,920,985	\$ -	\$ 33,920,985	\$ 29,340,347
Program service fees	6,820,430	-	6,820,430	9,137,218
Government grant - PPP	4,006,258	-	4,006,258	-
Contributions and foundation grants	2,289,228	2,908,708	5,197,936	3,690,044
Rental income	1,451,149	-	1,451,149	1,787,902
Special events	235,291	522,398	757,689	1,005,126
Bequests	1,872,139	1,192,239	3,064,378	978,207
Investment return, net	188,976	54,960	243,936	591,646
Other income	454,498	-	454,498	278,972
Net assets released from restrictions	4,314,287	(4,314,287)	-	-
Total support and revenue	<u>55,553,241</u>	<u>364,018</u>	<u>55,917,259</u>	<u>46,809,462</u>
OPERATING EXPENSES				
Program services:				
Aging support services	2,892,329	-	2,892,329	1,982,167
Children and youth services	15,947,672	-	15,947,672	16,317,602
Homelessness and housing services	17,435,443	-	17,435,443	15,324,866
Refugees and immigrants services	1,903,886	-	1,903,886	1,420,108
Transportation and facility rentals	3,736,732	-	3,736,732	4,348,634
Total program services	<u>41,916,062</u>	<u>-</u>	<u>41,916,062</u>	<u>39,393,377</u>
Support services:				
Administration	6,517,638	-	6,517,638	6,939,853
Development	1,612,836	-	1,612,836	1,853,853
Total support services	<u>8,130,474</u>	<u>-</u>	<u>8,130,474</u>	<u>8,793,706</u>
Total expenses	<u>50,046,536</u>	<u>-</u>	<u>50,046,536</u>	<u>48,187,083</u>
CHANGE IN NET ASSETS	5,506,705	364,018	5,870,723	(1,377,621)
NET ASSETS - beginning of year	<u>16,102,036</u>	<u>4,920,730</u>	<u>21,022,766</u>	<u>22,400,387</u>
NET ASSETS - end of year	<u>\$ 21,608,741</u>	<u>\$ 5,284,748</u>	<u>\$ 26,893,489</u>	<u>\$ 21,022,766</u>

CATHOLIC CHARITIES CYO OF THE ARCHDIOCESE OF SAN FRANCISCO
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2020 with Summarized Comparative Totals for 2019

	2020						2019				
	Program Services					Support Services			Total Expenses	Total Expenses	
	Aging Support Services	Children and Youth Services	Homelessness and Housing Services	Refugees and Immigrants Services	Transportation and Facility Rentals	Total Program Services	Administration	Development			Total Support Services
Salaries and related expenses:											
Salaries and wages	\$ 1,181,463	\$ 8,932,094	\$ 6,195,758	\$ 1,184,468	\$ 1,635,993	\$ 19,129,776	\$ 3,453,369	\$ 984,949	\$ 4,438,318	\$ 23,568,094	\$ 22,526,737
Employee benefits and payroll taxes	388,154	2,791,447	2,186,797	304,284	647,031	6,317,713	750,047	217,418	967,465	7,285,178	7,048,607
Total salaries and related expenses	1,569,617	11,723,541	8,382,555	1,488,752	2,283,024	25,447,489	4,203,416	1,202,367	5,405,783	30,853,272	29,575,344
Financial assistance	701,804	83,520	4,124,475	101,074	-	5,010,873	-	-	-	5,010,873	2,256,573
Occupancy costs	200,310	1,065,360	1,693,765	116,291	206,382	3,282,108	181,080	94,768	275,848	3,557,956	3,719,467
Professional fees and outside contractors	171,471	425,097	409,335	43,936	107,285	1,157,124	1,592,539	168,364	1,760,903	2,918,027	3,687,701
Transportation costs and travel	119,684	473,295	93,880	2,553	589,888	1,279,300	14,296	5,923	20,219	1,299,519	1,763,019
Depreciation and amortization	13,066	683,533	288,789	6,941	314,748	1,307,077	76,841	-	76,841	1,383,918	1,239,802
Contractually required reserves	-	-	1,071,833	-	-	1,071,833	-	-	-	1,071,833	1,340,222
Program food	36,932	478,369	362,049	-	-	877,350	-	-	-	877,350	1,001,753
Miscellaneous	1,837	193,730	109,190	16,996	152,693	474,446	78,991	14,246	93,237	567,683	942,075
Supplies	24,701	221,247	211,210	60,998	11,674	529,830	77,403	7,299	84,702	614,532	566,575
Telephone and postage	32,414	202,710	194,928	42,949	31,963	504,964	54,099	35,878	89,977	594,941	586,560
Insurance	13,797	235,110	225,592	18,622	33,866	526,987	35,396	2,785	38,181	565,168	750,538
Interest	-	1,302	223,098	-	-	224,400	13,698	-	13,698	238,098	185,728
Child related	-	128,091	700	-	-	128,791	-	-	-	128,791	172,622
Conferences and meetings	2,174	30,489	15,220	4,301	5,209	57,393	32,439	32,187	64,626	122,019	255,338
Printing and publication	446	2,278	7,517	473	-	10,714	44,737	46,655	91,392	102,106	143,766
Emergency supplies	4,076	-	21,307	-	-	25,383	66,475	2,364	68,839	94,222	-
Office relocation	-	-	-	-	-	-	46,228	-	46,228	46,228	-
Total expenses	\$ 2,892,329	\$ 15,947,672	\$ 17,435,443	\$ 1,903,886	\$ 3,736,732	\$ 41,916,062	\$ 6,517,638	\$ 1,612,836	\$ 8,130,474	\$ 50,046,536	\$ 48,187,083

CATHOLIC CHARITIES CYO OF THE ARCHDIOCESE OF SAN FRANCISCO
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2020 with Summarized Comparative Totals for 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 5,870,723	\$ (1,377,621)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,383,918	1,239,802
Change in asset retirement obligation	1,259	1,260
Contributions restricted in perpetuity	(12,683)	(58,790)
Net unrealized gain on investments	(120,713)	(462,430)
Changes in operating assets and liabilities:		
Receivables	(1,042,568)	1,233,242
Prepaid expenses and other assets	246,193	(220,159)
Accounts payable	(31,576)	425,031
Accrued expenses	304,093	317,311
Contractual reserves	984,721	1,005,074
Deferred revenue and deferred compensation	(425,891)	99,804
Refundable advance - PPP	1,882,142	-
Net cash provided by operating activities	9,039,618	2,202,524
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	5,644,704	5,242,956
Purchases of investments	(7,677,728)	(3,962,700)
Purchases of property and equipment	(3,625,289)	(3,266,440)
Net cash used in investing activities	(5,658,313)	(1,986,184)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted in perpetuity	12,683	58,790
Net cash provided by financing activities	12,683	58,790
NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	3,393,988	275,130
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - beginning of year	7,265,691	6,990,561
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - end of year	\$ 10,659,679	\$ 7,265,691
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Reconciliation of totals in the consolidated statement of cash flows to related captions in the consolidated statement of financial position:		
Cash and cash equivalents	\$ 4,020,856	\$ 1,337,573
Contractually restricted cash	6,638,823	5,928,118
Ending cash, cash equivalents, and restricted cash	\$ 10,659,679	\$ 7,265,691

CATHOLIC CHARITIES CYO OF THE ARCHDIOCESE OF SAN FRANCISCO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020

1. ORGANIZATION

Catholic Charities CYO of the Archdiocese of San Francisco (“Catholic Charities CYO”) is a non-profit human services and community development organization. Catholic Charities CYO is dedicated to the growth and development of children and families in a safe environment. Its mission is to alleviate human suffering by providing direct services for the poor and disenfranchised; to address the root causes of poverty and injustice by assisting people to mobilize their own resources and become self-sufficient; to enhance society’s awareness of suffering through advocacy for changing unjust social conditions.

Guided by core values of charity, social justice and respect for human dignity, Catholic Charities CYO reaches out to children, families, and individuals in San Francisco, San Mateo, and Marin counties, and offers over 30 programs located throughout the Archdiocese. An important dimension of the programs is concerted outreach to “at risk” youth, families and communities. Catholic Charities CYO views their employees and those they serve as strategic partners in these efforts.

The consolidated financial statements include the accounts of Catholic Charities CYO, 899 Guerrero Street Inc., and 1340 Golden Gate Associates, L.P. (collectively, the “Organization”). Catholic Charities CYO has a controlling interest and economic interest in 899 Guerrero Street, Inc. 1340 Golden Gate Associates, L.P. is owned by Catholic Charities CYO as a limited partner holding a 99.0% interest and 899 Guerrero Street, Inc. as a general partner holding a 1.0% interest.

The Organization currently has five categories of programs:

Aging support services – these programs help seniors maintain their independence and dignity while making valuable connections through companionship and friendship. The programs promote economical, comprehensive, alternative solutions to residential facilities or in-home care while providing respite to caregivers.

Children and youth services – these programs provide the opportunity for children to learn, play and grow in healthy, safe environments to better prepare them for their future. From early childhood development care and after-school programs, to organized athletics and summer camps, youth of all ages are encouraged to thrive. Residential-based services also help children and youth heal and grow into healthy adults.

Homelessness and housing services – these programs provide residential care facilities, distribution of housing subsidies and wrap-around case management to vulnerable people and provide them with freedom to focus on restoring stability and hope in other areas of their lives.

Centers for Immigration Legal Support Services – these programs assist clients in achieving legal status and economic self-sufficiency, as well as becoming fully active participants in the social and civic life of our communities.

Transportation and Facility Rentals – Transportation provides school bus services to a variety schools and youth-serving organizations. Facility rentals includes the rental of a portion of our facilities to other not-for-profit organizations.

CATHOLIC CHARITIES CYO OF THE ARCHDIOCESE OF SAN FRANCISCO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies is as follows:

Basis of Presentation

The accompanying consolidated financial statements (collectively, the “financial statements”) have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), and include the accounts of the Organization which have been consolidated pursuant to the provisions of Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 810, Consolidation (“ASC 810”). All intercompany transactions have been eliminated upon consolidation.

Net Assets

The net assets of the Organization are reported in groups as follows:

Without Donor Restrictions

Net assets that are not subject to donor-imposed stipulations. The Organization has created a board designated fund, the Legacy Circle Fund, to govern the use of bequests received without donor restrictions. Investment in property and equipment is net of related debt obligations.

With Donor Restrictions

Those net assets that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by 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 specified conditions are met.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid instruments with original maturities of three months or less. Contractually restricted cash represents amounts that are required to be maintained at specified levels in separate cash accounts. These requirements are stipulated in certain loan agreements.

Receivables

Program receivables represent amounts billed and accrued but not yet collected for services. The Organization provides an allowance for doubtful accounts based on management’s evaluation of the current aging of the accounts. Based on these factors, there is a provision for doubtful accounts of \$167,600 as of June 30, 2020. It is the Organization’s policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

CATHOLIC CHARITIES CYO OF THE ARCHDIOCESE OF SAN FRANCISCO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables (continued)

Contributions receivable represent the balance of pledges and commitments from donors that have not yet been received. Contributions receivable are recorded at net realizable value, net of allowance for uncollectible pledges and commitments. Contributions receivable that are expected to be received in future years are discounted to the anticipated present value of future cash flows using a risk-free discounted rate of return. The Organization believes all of its contributions receivable at June 30, 2020 are collectible, therefore there was no allowance for uncollectible contributions receivable.

Revenue Recognition

Government contracts

Government contract revenue is recognized in accordance with the terms of the contract which is generally when the related expenditures are incurred.

Program service fees

Program service fees are recognized as revenue when earned. All program service fees are defined as program income per the Organization's guidelines.

Contributions and Grants

Revenue from contribution and grant income is evaluated under Accounting Standards Update ("ASU") 2018-08, and is accounted for as nonreciprocal transactions. Unconditional contributions and grants received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence and nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in net assets without restrictions. All other donor restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Organization has elected to record the funds received under the Coronavirus Aid, Relief, and Economic Securities Act Paycheck Protection Program as a refundable advance and recognizes as revenue the portion that meets the conditions of the grant requirements. Remaining unspent grant funds are treated as a refundable advance.

Rental income

The Organization has entered into several operating lease agreements with lessees, which contain provisions for future rent increases. Rental income is recognized over the lease term using the straight-line method.

CATHOLIC CHARITIES CYO OF THE ARCHDIOCESE OF SAN FRANCISCO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

Bequests

Bequests are recorded as revenue when there is sufficient evidence available to determine that the revenue is probable and estimable.

Deferred revenue

Revenue related to grants and contracts is recognized as the related expenses are incurred. Deposits received in advance of program services being provided are reflected as deferred revenue, as are estimated liabilities under pooled income funds.

Investments

Investments are stated at fair value based on quoted market prices. Investments in pooled investment funds are valued using their net asset values. Gains and losses that result from market fluctuations are recognized in the period in which such fluctuation occurs in the consolidated statement of activities.

Donated securities are initially reported at fair value at the date of donation. Unrealized gains are included in the change in net assets in the accompanying consolidated statement of activities. Dividend and interest income is recorded when received by the Organization. Interest and dividend income is shown net of investment fees.

Fair Value Measurements

The Organization considers the use of market-based information over entity specific information in valuing its assets and liabilities valued at fair value, using a three-level hierarchy for fair value measurements, based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

The three-level hierarchy for fair value measurements is defined as follows:

- *Level 1*: Quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.
- *Level 2*: Observable inputs, other than quoted prices included within Level 1, for the asset or liability, either directly or indirectly through corroboration with observable market data (market-corroborated inputs).
- *Level 3*: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

CATHOLIC CHARITIES CYO OF THE ARCHDIOCESE OF SAN FRANCISCO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements (continued)

In accordance with the authoritative guidance on fair value measurements and disclosures, as a practical expedient, an entity holding investments in certain entities that calculated net asset value (“NAV”) per share or its equivalent for which fair value is not readily determinable is permitted to measure the fair value of such investments on the basis of the NAV or its equivalent without adjustment. Investments measured at fair value using the NAV are not categorized within the fair value hierarchy.

Property and Equipment

Land, buildings and equipment with an original purchase price in excess of \$5,000 are carried at cost. Depreciation and amortization are provided on the straight line method over the estimated useful lives of the assets, which range from 3 to 27.5 years. Maintenance, repairs and renewals which neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Leasehold improvements are amortized over the shorter of the useful life of the improvements or the life of the lease.

Costs incurred to develop or purchase computer software for internal use and websites are capitalized and amortized over the estimated useful life of the software. Costs related to design or maintenance of internal use software and website development are expensed as incurred.

Split-Interest Agreements

The Organization has entered into a variety of split-interest charitable agreements as follows:

Pooled Income Fund

The Organization’s pooled income fund is divided into units and contributions of its donors are pooled and invested as a group. Donors are assigned a specific number of units based on the proportion of the fair value of their contributions to the total fair value of the pooled income fund on the date of the donor’s entry into the fund. Until the donor’s death, the donor, or the donor’s designated beneficiary, is paid the actual income earned on the donor’s assigned units. The estimated liability, based on donor life expectancy under pooled income agreements, is reflected as long-term deferred revenue. This liability is estimated at fair market value based upon the estimated life of each participant using a discount rate of 1.18% or 1.25%. Upon the donor’s death, the value of the assigned units reverts to the Organization for its unrestricted use.

Charitable Gift Annuities

Charitable gift annuities represent the remainder beneficiary interest of various charitable gift annuities which are held by an independent trustee. These agreements provide for annual annuity payments to donors of approximately 6.3% to 8.7%. The Organization recognizes its beneficial interest in these assets at the time the donations are made and re-measures the present value of future distributions to be received upon maturity of the charitable gift annuity each reporting period.

CATHOLIC CHARITIES CYO OF THE ARCHDIOCESE OF SAN FRANCISCO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and California Revenue and Taxation Code Section 23701d. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Each year, management considers whether any material tax position the Organization has taken is more likely than not to be sustained upon examination by the applicable tax authority. Management believes that any positions the Organization has taken are supported by substantial authority and, hence, do not need to be measured or disclosed in these financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Expenses are allocated to program and supporting services based on the purpose of each expenditure and services provided for each function. Accordingly, certain costs have been allocated to program and supporting services based on employee time estimates, square footage, or other appropriate usage factors.

Concentrations of Risk

Financial instruments which are potentially subject to credit risk consist principally of cash and cash equivalents and receivables. Cash and cash equivalents are held in high credit quality financial institutions in the United States of America. At times, the account balances may exceed the institutions' federally insured limits.

The Organization invests in various types of investments. Investments are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

Program receivables consist primarily of amounts due from a limited number of federal, state and county agencies. The Organization historically had minimal collection issues related to such receivables. Contributions receivable are due from several estates, foundations and individuals. 91% of contributions receivable were due from three donors at June 30, 2020.

CATHOLIC CHARITIES CYO OF THE ARCHDIOCESE OF SAN FRANCISCO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Comparative Information

The financial information for the year ended June 30, 2019 has been presented for comparative purposes only and is not intended to be a complete presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2019 from which the summarized information was obtained.

Reclassifications

Certain items in prior year financial statements have been reclassified to conform to current year presentation. Such reclassifications had no effect on previously reported change in net assets.

Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure through December 18, 2020 which represents the date the financial statements were available to be issued (refer to Note 14).

Recent Accounting Pronouncements

The FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which supersedes existing revenue recognition guidance under current GAAP. This standard is a comprehensive new revenue recognition model that requires an entity to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. In doing so, among other things, entities will generally need to use more judgment and make more estimates than under the current guidance. The standard permits the use of either the retrospective or cumulative effect transition method. The new standard will be effective for the Organization for the year ending June 30, 2021. The Organization is currently evaluating its impact on its financial statements.

The FASB also issued ASU No. 2016-02, *Leases (Topic 842)* ("ASU 2016-02") for lease accounting to increase transparency and comparability among companies by requiring the recognition of lease assets and lease liabilities by lessees. ASU 2016-02 is not expected to fundamentally change the accounting of leases for lessors. The new standard will be effective for the Organization for the year ending June 30, 2023, and early adoption is permitted.

CATHOLIC CHARITIES CYO OF THE ARCHDIOCESE OF SAN FRANCISCO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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3. ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). The ASU clarified and improved the scope and accounting guidance around contributions of cash and other assets received and made by all entities, including business entities. The ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions), or as exchange (reciprocal) transactions and (2) determining whether a contribution is conditional or unconditional. The Organization adopted this pronouncement for the year ended June 30, 2020. The adoption of ASU 2018-08 on a modified prospective basis did not have a material effect on the Organization's financial position or results of operations.

As of July 1, 2019, the Organization adopted ASU 2016-08, *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires that restricted cash and cash equivalents be included in the beginning and ending cash in the statement of cash flows. The adoption of ASU 2016-08 resulted in an increase to beginning cash, cash equivalents, and restricted cash on the statement of cash flows of \$5,928,118 as of July 1, 2019, for contractual reserves. The prior year balances were reclassified for comparative purposes.

4. INVESTMENTS AND SPLIT-INTEREST AGREEMENTS/ FAIR VALUE MEASUREMENTS

Investments in marketable securities, at fair value, and the value of split-interest agreements at June 30, 2020 are as follows:

Investments	\$ 8,539,729
Investment pool - Archdiocese of San Francisco	4,282,290
Pooled income fund - mutual funds	<u>546,648</u>
Total	<u>\$ 13,368,667</u>

Investment return consists of the following for the year ended June 30, 2020:

Interest and dividend income - net	\$ 123,223
Unrealized gains on investments	<u>120,713</u>
Total	<u>\$ 243,936</u>

Investments totaling \$4,282,290 are held within the investment pool of the Archdiocese of San Francisco, a related party.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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4. INVESTMENTS AND SPLIT-INTEREST AGREEMENTS/ FAIR VALUE MEASUREMENTS (continued)

The following table sets forth, by level, the fair value hierarchy of the Organization's assets at fair value as of June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
U.S. Treasuries	\$ -	\$ 5,843,412	\$ -	\$ 5,843,412
Cash and cash equivalents	2,000,000	-	-	2,000,000
Certificates of deposit	696,317	-	-	696,317
Total assets in fair value heirarchy	<u>\$ 2,696,317</u>	<u>\$ 5,843,412</u>	<u>\$ -</u>	<u>8,539,729</u>
Investments held at net asset value ⁽¹⁾				
Pooled income fund ⁽²⁾				546,648
Investment pool - Archdiocese of San Francisco ⁽³⁾				<u>4,282,290</u>
				<u>4,828,938</u>
Total investments at fair value				<u>\$ 13,368,667</u>

(1) Investments are measured at fair value using the net asset value per share (or its equivalent), and, therefore, have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

(2) Invests in mutual funds and fixed income securities.

(3) Invests in stocks, bonds, mutual funds and hedge funds. The Organization may only make withdrawals at the end of the calendar quarter. At June 30, 2020, there were no unfunded commitments.

CATHOLIC CHARITIES CYO OF THE ARCHDIOCESE OF SAN FRANCISCO
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5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2020:

Land	\$ 1,077,736
Land improvements	3,390,130
Buildings	16,780,926
Leasehold improvements	4,898,136
Equipment and furniture	339,120
Computer equipment, software and website	1,648,577
Transportation equipment	<u>6,347,201</u>
	34,481,826
Less: Accumulated depreciation and amortization	<u>(17,974,153)</u>
	16,507,673
Construction in progress	<u>822,393</u>
Total property and equipment - net	<u>\$ 17,330,066</u>

Depreciation and amortization expense for the year ended June 30, 2020 was \$1,383,918.

At June 30, 2020 the Organization has commitments totaling \$80,000 for the completion of various capital improvement projects within the next fiscal year.

The Organization's asset retirement obligations relate to eventual costs of asbestos and lead paint remediation for some of its buildings. The Organization initially recorded asset retirement obligations of \$1,093,259. The balance is adjusted annually and was \$810,005 at June 30, 2020.

Net assets without donor restrictions in property and equipment net of related debt and other obligations totals \$8,657,567 as of June 30, 2020.

CATHOLIC CHARITIES CYO OF THE ARCHDIOCESE OF SAN FRANCISCO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020

6. LOANS PAYABLE

Loans payable consists of the following at June 30, 2020:

Loans with the City and County of San Francisco

Catholic Charities CYO's loan (for phase I to rehabilitate 30 rental units for use as affordable housing, whose tenants then participate in the Treasure Island Supportive Housing Program) with the City and County of San Francisco, via the Mayor's Office of Housing, collateralized by a deed of trust, no monthly payments, bearing interest at 0% and maturing on September 23, 2049, which will be forgiven except in the case of an event of default, as defined. The loan is secured by the rental revenue stream created from the sublease held by Catholic Charities CYO and the Treasure Island Development Authority. \$ 900,381

Catholic Charities CYO's loan (for phase II to rehabilitate 36 rental units for use as affordable housing, whose tenants then participate in the Treasure Island Supportive Housing program) with the City and County of San Francisco, via the Mayor's Office of Housing, collateralized by a deed of trust, no monthly payments, bearing interest at 0% and maturing on March 8, 2050, which will be forgiven except in the case of an event of default, as defined. The loan is secured by the rental revenue stream created from the sublease held by Catholic Charities CYO and the Treasure Island Development Authority. 1,121,753

899 Guerrero Street Inc.'s loan (for the St. Joseph's Family Center programs) with the City of San Francisco, collateralized by a deed of trust, no monthly payments, bearing interest at 10% and maturing on February 9, 2040, which will be forgiven except in the case of an event of default, as defined. The loan is secured by real property. 400,000

1340 Golden Gate Associates, L.P. loan (for the Peter Claver Community programs) with the City and County of San Francisco in the amount of \$109,214, collateralized by a deed of trust, no monthly payments, bearing interest at 9.17%. The loan matured on May 10, 2019 and is secured by real property. 109,214

1340 Golden Gate Associates, L.P. loan (for the Peter Claver Community programs) with the City and County of San Francisco, collateralized by a deed of trust, no monthly payments, bearing interest at 7.63% and maturing on September 30, 2028. The loan is secured by real property. At June 30, 2020, accrued interest payable on the loan was \$2,046,966. 2,497,902

Total loans with the City and County of San Francisco 5,029,250

CATHOLIC CHARITIES CYO OF THE ARCHDIOCESE OF SAN FRANCISCO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020

6. LOANS PAYABLE (continued)

Loan with the Archdiocese of San Francisco, a related party

St. Vincent's Land with equity participation rights granted to lender. The loan is collateralized by a deed of trust, no monthly payments, bearing interest at 0% and maturing on December 31, 2020.

2,833,240

Total loans payable

\$ 7,862,490

Certain loans payable to the City and County of San Francisco, totaling \$2,531,348 as of June 30, 2020 included in long-term debt will be forgiven in future periods provided certain conditions are met. The forgiveness of these loans will be accounted for as contribution income as and when the required conditions have been met. These conditions consist principally of Catholic Charities CYO's compliance with the terms and conditions of the loan agreements and include providing notification of changes in certain executive officers, breach of any representations, any material adverse change affecting the continued operation of the project, and any merger, dissolution or liquidation. In addition, the loan agreements provide for acceleration and accrual of interest in the event of any default. The Organization expects these loans to be forgiven upon maturity, and therefore, has not accrued for any interest on these loans.

The terms of certain of the loans also require the establishment of separate cash accounts of \$6,638,823 and reserve balances of \$6,603,376 to provide for future contractual expenses. Payments from such reserves are limited to amounts related to the project and subject to specific approval by the City and County of San Francisco.

Future maturities of long-term debt, excluding forgivable loans, outstanding at June 30, 2020 are as follows:

<u>Year Ending June 30,</u>	
2021	\$ 2,833,240
2022	-
2023	-
2024	-
2025	-
Thereafter	<u>2,497,902</u>
	<u>\$ 5,331,142</u>

CATHOLIC CHARITIES CYO OF THE ARCHDIOCESE OF SAN FRANCISCO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020

7. PAYCHECK PROTECTION PROGRAM

On April 7, 2020, the Organization obtained a note payable to the Bank of San Francisco under the Coronavirus Aid, Relief and Economic Security Act Paycheck Protection Program (the "Act") in the amount of \$5,888,400 bearing interest at a rate of 1%. The maturity date is two years from the date of first disbursement (which has been extended to five years with the subsequent passing of the Paycheck Protection Program Flexibility Act of 2020). Monthly payments of principal and interest are deferred until December 1, 2020 or later as determined by the Small Business Administration. Interest accrues during the deferment period. The Organization has elected to classify PPP proceeds as a refundable advance (refer to Note 2). As provided for in the Act, the Organization will apply for forgiveness for the full \$5,888,400 proceeds covering certain qualifying costs incurred during a 24 week period. As of June 30, 2020 the Organization has incurred qualifying costs totaling \$4,006,258 and has recognized revenue in that amount. In addition, the Organization also fully expects the remaining balance of \$1,882,142, shown on the Statement of Financial position as a refundable advance at June 30, 2020, to be recognized as revenue in the following fiscal year.

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2020 were restricted for the following purpose:

Subject to purpose restrictions:	
Aging support services	\$ 558,560
Children and youth	2,025,054
Homelessness and housing services	192,703
Refugees and immigrants services	59,840
	<u>2,836,157</u>
Subject to time restrictions:	
Events or time restricted gifts	<u>782,843</u>
Donor-restricted endowments:	
Unappropriated endowment earnings	338,398
Amounts to be maintained in perpetuity	1,327,350
	<u>1,665,748</u>
Total net assets with donor restrictions	<u>\$ 5,284,748</u>

CATHOLIC CHARITIES CYO OF THE ARCHDIOCESE OF SAN FRANCISCO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020

8. NET ASSETS WITH DONOR RESTRICTIONS (continued)

For the year ended June 30, 2020, net assets with donor restrictions were released from donor restrictions by incurring expenses satisfying the purpose specified by donors as follows:

Aging support services	\$ 246,830
Children and youth	2,116,508
Homelessness and housing services	739,208
Refugees and immigrants services	345,746
Auxillary services	53,240
Administration	26,471
Events or time restricted gifts	<u>786,284</u>
	<u>\$ 4,314,287</u>

9. ENDOWMENT FUNDS

The Organization's endowment consists of several different individual funds established for a variety of purposes. All investment income earned on the donor restricted endowment funds is treated as income with donor restrictions until appropriated by the Organization.

The State of California enacted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") effective January 1, 2009, the provisions of which apply to endowment funds existing on or established after that date. Net asset classifications of donor-restricted endowment funds subject to an enacted version of UPMIFA have been accounted for appropriately in these financial statements. Additional disclosures about the Organization's endowment funds subject to UPMIFA have been included for the year ended June 30, 2020.

Interpretation of Relevant Law

The Organization's Board has interpreted 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 held in perpetuity (1) the original value of gifts donated to the donor-restricted endowment, (2) the original value of subsequent gifts donated to the donor-restricted endowment, and (3) additions to the donor-restricted endowment in accordance with donor directions. The remaining portion of the donor-restricted endowment is classified 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 UPMIFA.

CATHOLIC CHARITIES CYO OF THE ARCHDIOCESE OF SAN FRANCISCO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020

9. ENDOWMENT FUNDS (continued)

Spending Policy

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

- (1) The duration and preservation of the endowment funds;
- (2) The purposes of the endowment funds;
- (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 Organization; and
- (7) The investment policies of the Organization.

Up to 5% of the fair value of the assets held under the donor-restricted endowment is appropriated for spending from the donor restricted endowment fund, and any additional return on the endowment assets is retained to grow the endowment fund.

Investment Policy, Strategies, and Objectives

The Organization has adopted an investment objective of long-term growth and income to preserve the value of the fund for future use. To achieve its distribution objectives, the Organization's investment policy is to substantially invest their endowment assets in a balanced investment pool at the Archdiocese of San Francisco, a related party. The investment pool is designed to achieve long-term investment objectives of moderate growth and income requirements with moderate risk. The performance of the investment pool is monitored to ensure prudent investment and spending of the donor endowments under UPMIFA law.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. No deficiencies were noted at June 30, 2020.

Net changes in endowment funds were as follows:

	Maintained in Perpetuity	Unappropriated Endowment Earnings	Total
Balance as of June 30, 2019	\$ 1,314,667	\$ 399,417	\$ 1,714,084
Net investment income	-	6,964	6,964
Contributions	12,683	-	12,683
Appropriations	-	(67,983)	(67,983)
Balance at June 30, 2020	<u>\$ 1,327,350</u>	<u>\$ 338,398</u>	<u>\$ 1,665,748</u>

CATHOLIC CHARITIES CYO OF THE ARCHDIOCESE OF SAN FRANCISCO
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9 ENDOWMENT FUNDS (continued)

Unappropriated endowment funds are restricted to the following purposes:

Children and youth services	\$ 277,891
Homelessness and housing services	58,942
Aging support services	<u>1,565</u>
	<u>\$ 338,398</u>

10. COMMITMENTS AND CONTINGENCIES

Commitments

The Organization leases office and program space and equipment for its operations under various non-cancelable operating leases expiring through 2025. The aggregate remaining minimum rental payments required under the terms of existing leases as of June 30, 2020 are as follows:

<u>Year Ending June 30,</u>	
2021	\$ 1,103,000
2022	1,002,000
2023	878,000
2024	790,000
2025	277,000
Thereafter	<u>163,000</u>
	<u>\$ 4,213,000</u>

Rental expense amounted to \$1,215,199 for the year ended June 30, 2020.

Contingencies

The Organization is a recipient of federal and state awards. These awards are subject to audit and final acceptance by federal and state granting agencies. The amount of expenditures that may be disallowed by the grantors, if any, cannot be determined at this time, although the Organization expects such amounts, if any, to be immaterial.

The Organization is involved from time to time in routine claims related to its operations. Management is of the opinion that such matters would not result in any contingencies that are material to its financial position.

CATHOLIC CHARITIES CYO OF THE ARCHDIOCESE OF SAN FRANCISCO
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11. EMPLOYEE BENEFIT PLANS

The Organization has two defined contribution retirement plans, for union and non-union employees. The Organization contributes a percentage of the employee's compensation. Employees are eligible to participate in the plans immediately. The matching contributions under both plans aggregated \$570,678 for the year ended June 30, 2020.

12. ALAMEDA COUNTY PROGRAMS

The county of Alameda requires contractors who receive funding through the County to identify all County programs in accordance with County audit requirements. The following is a list of programs in which funding was received through the County for fiscal year ended June 30, 2020.

<u>Program Name</u>	<u>Contract Number</u>	<u>Exhibit Number</u>	<u>Contract Period</u>	<u>Contract Amount</u>
Catholic Charities CYO dba St. Vincent's School for Boys	Procurement Contract #18447	N/A	7/1/2019 - 6/30/2020	\$ 354,471

13. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization has a goal to maintain financial assets to meet thirty days of normal operating expense, which is on average \$4,000,000. This is in addition to daily operating cash requirements. As part of its liquidity management, the Organization keeps cash in excess of daily requirements in checking accounts at various banking institutions, treasury notes, and other short-term investments.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020

13. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (continued)

Financial assets available for general expenditure without donor or other restrictions limiting their use within one year of the consolidated statement of financial position date are comprised of the following:

Financial assets at June 30, 2020:	
Cash and cash equivalents	\$ 4,020,856
Investments	13,368,667
Program receivables	5,663,764
Contributions receivable	1,407,759
Total financial assets	<u>24,461,046</u>
Less amounts not available to meet general expenditures within one year:	
Board designated net assets	(3,112,421)
Donor restricted net assets	(5,284,748)
Add: Donor restrictions expected to be released within one year	2,763,718
	<u>(5,633,451)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 18,827,595</u>

14. COVID-19

On March 11, 2020, the World Health Organization publicly characterized COVID-19 as a pandemic. Many Federal, state and local governmental agencies have declared a state of emergency and issued a variety of recommendations impacting travel, group gatherings, etc. As a result, this has significantly impacted the Organization's operations in many ways. The Organization shifted the way it delivered services to comply with state and local mandates for sheltering in place, social distancing, and providing personal protection equipment for staff and clients.

The Organization received proceeds in the amount of \$5,888,400 under the Paycheck Protection Program (PPP) (refer to Note 7). As of June 30, 2020 the Organization has expended a portion of the proceeds, which is treated as a conditional grant. The Organization has recognized revenue of the amount expended of \$4,006,258 in the accompanying Consolidated Statement of Activities. The Organization expects to expend the remaining \$1,882,142 prior to December 31, 2020.

In addition, financial market volatility has significantly increased which may negatively impact investment values and net investment income in the future. Other financial impacts that the Organization continues to experience include loss of revenues from transportation, CYO athletics and camps, the related financial impact of which cannot be reasonably estimated at this time.