KPMG

ASSOCIATED CATHOLIC CHARITIES, INC.
AND AFFILIATED ORGANIZATIONS

Combined Financial Statements and
Supplemental Financial Information

June 30, 2023 and 2022

(With Independent Auditors' Report Thereon)

ASSOCIATED CATHOLIC CHARITIES, INC.
AND AFFILIATED ORGANIZATIONS

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KPMG LLP
750 East Pratt Street, 18th Floor
Baltimore, MD 21202

Independent Auditors' Report

The Board of Directors
Associated Catholic Charities, Inc.:

Opinion

We have audited the combined financial statements of Associated Catholic Charities, Inc. and its affiliated organizations (the Organization), which comprise the combined statements of financial position as of June 30, 2023 and 2022, and the related combined statements of activities, changes in net assets, cash flows and program expenses for the years then ended, and the related notes to the combined financial statements.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Combined Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Combined Financial Statements

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

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the combined financial statements are issued.

Auditors' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 GAAS 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 combined financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined 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 combined 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 the Organization'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 combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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 audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplemental combining statement of financial position is presented for purposes of additional analysis and is not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

KPMG LLP

Baltimore, Maryland
October 31, 2023

ASSOCIATED CATHOLIC CHARITIES, INC.
AND AFFILIATED ORGANIZATIONS

Combined Statements of Financial Position

June 30, 2023 and 2022

Assets		2023	2022
Cash and cash equivalents	$	8,237,857	7,824,859
Restricted cash		11,884,581	5,288,501
Accounts receivable, less allowance for doubtful accounts (2023 – $1,988,850; 2022 – $2,813,558)		17,203,447	17,984,196
Contributions receivable, net		43,803,058	52,980,803
Prepaid expenses and other assets		5,075,542	4,194,389
Operating lease right-of-use assets, net		4,873,301	—
Investments, at fair value		84,925,884	80,534,476
Property and equipment:			
Land and improvements		18,838,118	19,700,268
Buildings		256,307,367	251,408,978
Equipment		29,071,944	27,871,786
Construction in progress		5,669,839	8,922,823
		309,887,268	307,903,855
Accumulated depreciation		(175,224,656)	(170,869,018)
		134,662,612	137,034,837
Total assets	$	310,666,282	305,842,061
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	7,283,716	7,999,554
Accrued salaries and benefits		8,180,839	9,378,368
Accrued interest		1,154,585	1,204,558
Deferred revenue		5,358,683	1,788,835
Operating lease liabilities		4,911,846	—
Other liabilities		5,094,810	6,874,462
Capital advances		92,337,872	92,337,872
Mortgages and bonds payable		70,122,197	64,346,088
Total liabilities		194,444,548	183,929,737
Net assets:			
Without donor restrictions:			
Controlling interest		12,857,002	12,316,794
Noncontrolling interest – HUD Senior Communities		4,478,799	5,378,284
Total without donor restrictions		17,335,801	17,695,078
With donor restrictions		98,885,933	104,217,246
Total net assets		116,221,734	121,912,324
Total liabilities and net assets	$	310,666,282	305,842,061

See accompanying notes to combined financial statements.

ASSOCIATED CATHOLIC CHARITIES, INC.
AND AFFILIATED ORGANIZATIONS

Combined Statements of Activities

Years ended June 30, 2023 and 2022

	2023			2022		
	Without donor restrictions	**With donor restrictions**	**Total**	**Without donor restrictions**	**With donor restrictions**	**Total**
Revenue:						
Purchase of services by governmental agencies	$ 119,265,556	—	119,265,556	111,503,719	—	111,503,719
Purchase of services – other	1,182,376	—	1,182,376	1,360,860	—	1,360,860
Program service fees	6,535,173	—	6,535,173	6,913,512	—	6,913,512
Contributions and pledges of cash and other financial assets	9,159,970	5,907,533	15,067,503	10,601,721	26,522,519	37,124,240
Contributions of nonfinancial assets	1,622,213	—	1,622,213	1,473,557	—	1,473,557
Rental income	20,093,045	—	20,093,045	18,695,148	—	18,695,148
Other	288,174	—	288,174	321,414	—	321,414
Net assets released from restrictions	10,728,163	(10,728,163)	—	7,535,952	(7,535,952)	—
Revenue	168,874,670	(4,820,630)	164,054,040	158,405,883	18,986,567	177,392,450
Program expenses:						
Family services	72,763,284	—	72,763,284	67,240,993	—	67,240,993
Community services	33,996,374	—	33,996,374	32,505,863	—	32,505,863
Senior services	48,718,406	—	48,718,406	44,405,886	—	44,405,886
Fundraising and awareness	3,972,678	—	3,972,678	4,608,138	—	4,608,138
Management and general	18,861,598	—	18,861,598	16,754,610	—	16,754,610
Expenses	178,312,340	—	178,312,340	165,515,490	—	165,515,490
Total revenue (expenses) in excess of expenses/(revenue)	(9,437,670)	(4,820,630)	(14,258,300)	(7,109,607)	18,986,567	11,876,960
Nonoperating revenue (expense):						
Endowments, capital grants, and other gifts	471,346	108,553	579,899	70,000	6,796	76,796
Investment return, net (including net unrealized gains (losses): 2023 – $2,852,288; 2022 – $(24,261,832))	2,515,518	4,131,754	6,647,272	(6,230,518)	(11,559,265)	(17,789,783)
Capital gifts, pledges (net of discount), and grants	—	532,243	532,243	400,000	17,522,983	17,922,983
Other, net	808,296	—	808,296	7,901,769	—	7,901,769
Net assets released from restrictions	5,283,233	(5,283,233)	—	340,437	(340,437)	—
Total nonoperating revenue	9,078,393	(510,683)	8,567,710	2,481,688	5,630,077	8,111,765
Change in net assets	$ (359,277)	(5,331,313)	(5,690,590)	(4,627,919)	24,616,644	19,988,725

See accompanying notes to combined financial statements.

ASSOCIATED CATHOLIC CHARITIES, INC.
AND AFFILIATED ORGANIZATIONS

Combined Statements of Changes in Net Assets

Years ended June 30, 2023 and 2022

	Without donor restrictions			With donor	
	Controlling interest	Noncontrolling interests	Total net assets	restrictions net assets	Total
Net assets as of June 30, 2021	$ 16,031,844	6,291,153	22,322,997	79,600,602	101,923,599
Change in net assets from activities	(3,715,050)	(912,869)	(4,627,919)	24,616,644	19,988,725
Net assets as of June 30, 2022	12,316,794	5,378,284	17,695,078	104,217,246	121,912,324
Change in net assets from activities	540,208	(899,485)	(359,277)	(5,331,313)	(5,690,590)
Net assets as of June 30, 2023	$ 12,857,002	4,478,799	17,335,801	98,885,933	116,221,734

See accompanying notes to combined financial statements.

ASSOCIATED CATHOLIC CHARITIES, INC.
AND AFFILIATED ORGANIZATIONS

Combined Statements of Cash Flows

Years ended June 30, 2023 and 2022

		2023	2022
Cash flows from operating activities:			
Change in net assets	$	(5,690,590)	19,988,725
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation and amortization		9,654,886	8,794,303
Contributions restricted for capital or long-term use		(532,243)	(17,922,983)
Termination of capital advance and forgiveness of debt		(150,000)	(7,591,900)
Change in fair value of interest rate swap and cap		2,579	(297,369)
Realized and unrealized (gains) losses on investments, net		(3,607,701)	20,737,922
Deferred interest expense		228,268	264,077
Gain on disposal of property and equipment		(255,684)	(94,215)
Contributions restricted for long-term investment		(108,553)	(6,796)
Operating lease right-of-use assets, net of operating lease liabilities		38,545	—
Change in accounts receivable, net		780,749	2,215,664
Change in contributions receivable		6,047,115	(20,503,571)
Change in prepaid expenses and other assets		(156,883)	(106,655)
Change in accounts payable, accrued interest, and accrued salaries and benefits		(2,429,277)	(298,487)
Change in deferred revenue		3,569,848	978,683
Change in other liabilities		(1,841,038)	(161,070)
Net cash provided by operating activities		5,550,021	5,996,328
Cash flows from investing activities:			
Purchase of property and equipment		(8,888,547)	(12,477,754)
Proceeds from the sale of property and equipment		2,579,694	140,617
Purchase of investments		(41,229,077)	(46,237,355)
Proceeds from sales and maturities of investments		41,560,579	41,660,412
Net cash used in investing activities		(5,977,351)	(16,914,080)
Cash flows from financing activities:			
Contributions restricted for long-term investment		3,771,426	1,106,795
Other debt proceeds		22,580,147	12,106,800
Other debt repayment		(16,866,624)	(2,483,483)
Other		(933,332)	(368,531)
Net cash provided by financing activities		8,551,617	10,361,581
Increase (decrease)		8,124,287	(556,171)
Cash and cash equivalents, including restricted cash, and cash within investments, beginning of year		20,682,490	21,238,661
Cash and cash equivalents, including restricted cash, and cash within investments, end of year	$	28,806,777	20,682,490
Supplemental disclosure of cash flow information:			
Purchase of fixed asset additions in accounts payable	$	584,404	139,512

See accompanying notes to combined financial statements.

ASSOCIATED CATHOLIC CHARITIES, INC.
AND AFFILIATED ORGANIZATIONS

Combined Statement of Program Expenses

Year ended June 30, 2023

	Family services	Community services	Senior services	Fundraising and awareness	Management and general	Total
Salaries	$ 46,555,179	16,580,760	14,828,342	1,281,112	10,087,380	89,332,773
Employee benefits and payroll taxes	12,654,375	4,586,570	4,058,925	344,288	2,618,263	24,262,421
Total employee compensation	59,209,554	21,167,330	18,887,267	1,625,400	12,705,643	113,595,194
Occupancy	4,684,143	5,165,266	8,985,921	125,816	619,408	19,580,554
Professional fees and contractual services	1,324,638	613,839	8,363,655	1,028,979	1,228,813	12,559,924
Food and other supplies	1,779,432	2,477,016	2,578,844	3,312	93,862	6,932,466
Transportation	853,114	259,428	221,977	2,537	32,830	1,369,886
Direct assistance	113,442	2,585,513	—	—	333	2,699,288
Postage, printing, and publications	411,442	80,404	127,251	834,119	40,987	1,494,203
Provision for bad debts	117,969	58,124	702,610	—	—	878,703
Interest expense	348,448	5,131	1,121,495	—	470,276	1,945,350
Depreciation	2,119,484	782,341	5,375,189	—	1,110,003	9,387,017
Other	1,801,618	801,982	2,354,197	352,515	2,559,443	7,869,755
Total program expenses	$ 72,763,284	33,996,374	48,718,406	3,972,678	18,861,598	178,312,340

See accompanying notes to combined financial statements.

ASSOCIATED CATHOLIC CHARITIES, INC.
AND AFFILIATED ORGANIZATIONS

Combined Statement of Program Expenses

Year ended June 30, 2022

	Family services	Community services	Senior services	Fundraising and awareness	Management and general	Total
Salaries	$ 42,096,176	14,972,090	13,534,682	1,381,875	9,050,340	81,035,163
Employee benefits and payroll taxes	12,067,461	4,362,199	3,929,457	403,461	2,373,944	23,136,522
Total employee compensation	54,163,637	19,334,289	17,464,139	1,785,336	11,424,284	104,171,685
Occupancy	4,066,201	4,723,193	8,224,593	124,740	714,805	17,853,532
Professional fees and contractual services	1,559,331	582,792	7,266,204	1,324,586	1,271,559	12,004,472
Food and other supplies	1,648,125	1,860,074	2,168,748	1,429	83,555	5,761,931
Transportation	776,222	153,220	159,571	6,049	19,590	1,114,652
Direct assistance	98,785	4,048,497	—	—	2,687	4,149,969
Postage, printing, and publications	223,546	70,548	133,904	1,045,055	30,573	1,503,626
Provision for bad debts	617,798	41,806	886,669	8,770	—	1,555,043
Interest expense	412,250	5,131	1,182,755	35,859	(99,639)	1,536,356
Depreciation	2,073,737	745,018	4,951,707	—	914,559	8,685,021
Other	1,601,361	941,295	1,967,596	276,314	2,392,637	7,179,203
Total program expenses	$ 67,240,993	32,505,863	44,405,886	4,608,138	16,754,610	165,515,490

See accompanying notes to combined financial statements.

(1) Organization and Significant Accounting Policies

(a) Organization and Recent Events

Associated Catholic Charities, Inc. (ACC) and its affiliated organizations (collectively, Catholic Charities or the Organization) is a nonprofit human services agency that provides services to children and families, the elderly, the disadvantaged, and people with developmental disabilities. Catholic Charities operates more than 80 programs in the city of Baltimore and throughout Maryland.

Catholic Charities' Mission: Inspired by the Gospel mandates to love, serve, and teach, Catholic Charities provides care and services to improve the lives of Marylanders in need.

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) a pandemic. Since then, there have been mandates from international, federal, state and local authorities requiring temporary closure of various schools, businesses and other facilities and organizations. While there were no significant program closures or service disruptions during the years ended June 30, 2023 and 2022, the Organization continues to experience declines in service volumes in certain areas, notably in our skilled nursing facility, as well as overall increased costs of operating. Since March 2020, the Organization also experienced an overall increase in philanthropic activity and received supplemental funding from Federal and State agencies. Management continues to monitor the impact of COVID-19 on its operations and financial condition. In May 2023, the pandemic designation was lifted.

In December 2022,Catholic Charities celebrated the completion of its Greater Promise Campaign which was launched publicly in December 2021. During the campaign, over $84 million in contributions and pledges was recognized of which the majority is unrestricted and board designated.

(b) Affiliated Organizations

The combined financial statements include all organizations operating under the auspices of Associated Catholic Charities, Inc., including Catholic Charities Housing, Inc. (Basilica Place), DePaul House, Inc., Bethany Community, Inc., St. Charles House, Inc., Backbone Housing, Inc. (Starner Hill), Coursey Station Apartments, Inc., St. Luke's Apartments, Inc., St. Mark's Housing, Inc., St. Mark's Limited Partnership, St. Joachim House, Inc., Trinity House Apartments, Inc., Jenkins Memorial Nursing Home, Inc. (St. Elizabeth's), Cherry Hill Town Center, Inc., Hollins Ferry Road Apartments, Inc., Hollins Ferry Senior Housing Limited Partnership, Belair Senior Housing, Inc., Belair Limited Partnership, Odenton Senior Housing, Inc., Glen Burnie Senior Housing, Inc., Reisterstown Village Senior Housing, Inc., Reisterstown Gardens Senior Housing, Inc., Owings Mills Senior Housing, Inc., Aberdeen Senior Housing, Inc., Woodlawn Senior Housing, Inc., Abingdon Senior Housing, Inc., Odenton Senior Housing II, Inc., OLF Senior Housing, Inc., OLF Senior Housing II, Inc., Village Crossroads Senior Housing, Inc., Village Crossroads Senior Housing Limited Partnership, Village Crossroads Senior Housing II, Inc., My Sister's Place Women's Center Fund, Inc., Our Daily Bread Employment Center Fund, Inc., Sarah's House Fund, Inc., Catholic Charities Nursing, Inc., Esperanza Center Health Services, Inc., Basilica Place Limited Partnership, BPL, Inc., Irvington My Brother's Keeper, Inc., and Villa Maria, Inc.

Significant accounts and transactions between entities have been netted in combination. All of the combined organizations operate under the auspices of the Roman Catholic Archbishop of Baltimore, and his successors in office, a corporation sole (the Archdiocese).

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(c) Basis of Presentation

Net assets, revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions into two classes of net assets. Accordingly, net assets are classified and reported as follows:

- Without donor restrictions – Net assets that are not subject to donor-imposed stipulations.
- With donor restrictions – Net assets subject to donor-imposed restrictions on their use that may be met either by actions of the Organization or the passage of time; as well as net assets subject to donor imposed or other legal restrictions requiring the principal be maintained in perpetuity.

Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Under Maryland law, appreciation on donor-restricted endowments is classified as net assets with donor restrictions until appropriated for expenditure. Expirations of restrictions recognized on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed), are reported as net assets released from restrictions, which reflect reclassifications from net assets with donor restrictions to net assets without donor restrictions. Restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are placed in service.

(d) Use of Estimates

The preparation of the combined financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the combined financial statements and revenue and expenses recognized during the reporting period. Actual results could differ from those estimates.

(e) Cash Equivalents and Restricted Cash

Catholic Charities considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents, except any such securities held by external investment managers are classified with investments, and generally not used for current operations and are not considered cash equivalents for purposes of the statements of cash flows.

Restricted cash represents cash held for various restricted purposes, including client funds, tenant security deposits, construction, and certain reserves for replacements.

The following table summarizes cash, cash equivalents, and restricted cash reported on the combined statements of cash flows as of June 30, 2023 and 2022.

		2023	2022
Cash and cash equivalents	$	8,237,857	7,824,859
Restricted cash		11,884,581	5,288,501
Certificates of deposits and cash investments		8,684,339	7,569,130
	$	28,806,777	20,682,490

(f) Allowance for Doubtful Accounts

Catholic Charities' policy is to write off all accounts that have been identified as uncollectible. An allowance for doubtful accounts is recorded for amounts not yet written off, which are estimated to be uncollectible based upon specific review of accounts.

(g) Contributions

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period received or promised. Contributions are considered to be without donor restrictions unless specifically restricted by the donor for a particular program, time, or other purpose, in which case the contribution revenue is reported in the donor restricted net asset class. As donor restrictions are met, the net assets are released from restriction. Donor-restricted contributions are initially reported in the with donor restriction net asset class, even if it is anticipated such restrictions will be met in the current reporting period.

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 recorded initially at fair value, giving consideration to estimated future cash flows and a risk adjusted interest rate. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not recognized until the conditions on which they depend are substantially met.

Allowance is made for uncollectible contributions receivable based upon management's judgment and analysis of credit worthiness of the donors and past collection experience.

Contributions receivable at June 30, 2023 are due as follows: Within 1 year $11,641,953; between 2 and 5 years $20,420,878 and after 5 years $15,745,000. The discount and allowance for uncollectible amounts on outstanding pledges of June 30, 2023 was $3,998,818 and $5,955, respectively.

Contributions receivable at June 30, 2022 are due as follows: Within 1 year $8,533,370; between 2 and 5 years $29,807,250 and after 5 years $19,502,500. The discount and allowance for uncollectible amounts on outstanding pledges as of June 30, 2022 was $4,856,363 and $5,954, respectively.

(Continued)

(h) Investments

Investments in mutual funds, U.S. government and agency obligations, corporate bonds, common stocks, and asset backed securities are reported at fair value, based primarily upon quoted market prices. Private investment funds are stated at estimated fair value based on the funds' net asset value (NAV), as a practical expedient, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2023 and 2022, the Organization had no plans or intentions to sell the private investment funds at an amount different from NAV. Realized and unrealized gains and losses are reflected in the combined statements of activities. Interest and dividends are recognized when earned. Investment transactions are recorded on a trade date basis.

(i) Concentration of Risk

Financial instruments that potentially subject Catholic Charities to concentrations of investment risk include cash and cash equivalents, and investments in debt and equity securities. The Organization's investments are overseen by the Investment Committee of the Board of Directors in accordance with Catholic Charities' investment policy. Members of the Investment Committee are experienced in investment and financial management. Though the market value of investments is subject to market fluctuations, Catholic Charities believes that its investment policy is prudent for the long-term welfare of the Organization.

Revenue from federal, state, and local governments represents a significant portion of the Organization's total revenue. Changes in federal and state funding mechanisms, changes in regulatory requirements, and related government budgetary constraints could have an adverse effect on Catholic Charities' operations.

Credit risk with respect to accounts receivable is limited due to the creditworthiness of the government entities and organizations from whom the amounts are due.

(j) Property and Equipment

Property and equipment include assets intended for ongoing use in operations and are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives, which range from 25 to 40 years for buildings and improvements and 3 to 20 years for equipment. Maintenance and repairs are charged to expense as incurred. Impairment of long-lived assets are evaluated when circumstances indicate a triggering event has occurred.

(k) Purchase of Services by Governmental Agencies

Government agreements to serve the public are considered conditional contributions revenue and reported as revenue without donor restrictions at the time the service is provided to the public on behalf of the government, and qualifying expenses are incurred. These services are reported as purchase of services by government agencies. Amounts received in advance of goods or services provided are recorded as deferred revenue. Services provided by Catholic Charities under these agreements include school and learning readiness and case management services for low-income children, community housing and shelter services, immigration legal services, and other general services to assist low-income people and families to achieve self-sufficiency. Purchase of services by governmental

(Continued)

agencies recognized as conditional contributions aggregated $28,814,816 in 2023 and $27,052,513 in 2022.

All other government revenues are the result of contracts with customers. These services include the operation of residential care facilities to provide the basic care, health, social service, and special education needs of children and developmentally disabled adults, and intensive diagnostic, stabilization, and treatment services to children with severe emotional and behavioral challenges. In addition, Catholic Charities operates an assisted living facility, a nursing home, low-income senior housing communities, intervention services for low-income children and their families, and behavioral health and substance use services. Revenues from these services provided are recognized over time, as the service is provided. Contractual relationships with these individuals and their families generally involve third party payors and transaction prices provided are dependent on negotiated rates for such services. Accordingly, net service revenue for these services is reported at the net realizable amounts to be received from individuals, families or third party payors. Revenue from contracts with customers aggregated $91,633,116 in 2023 and $84,451,206 in 2022.

Catholic Charities operates a residential treatment center whereby services are reimbursed by the State of Maryland Medicaid Program on a cost basis subject to annual ceilings. The Organization bills and receives an interim per diem rate during the year, which generally differs from the target rate cost basis for which revenue is recognized. The Organization ultimately settles final payment based upon an audited cost report filing of the residential treatment center's operating expenses.

(l) Rental Income

Rental payments received from residents of the Organization's low-income senior housing communities are recognized as revenue in the month earned. Prepayments by residents are deferred and applied to subsequent months. Substantially all residents qualify for resident housing assistance funds under Section 8 of the National Housing Act as administered by U.S. Department of Housing and Urban Development (HUD) or qualify for government-funded rent subsidy payments. Resident housing assistance payments from HUD, included in rental income aggregated $12.6 million in 2023 and $12.5 million in 2022.

(m) Program Service Fees

Program service fees are charged primarily to facility residents and program participants for the cost of care and services rendered that are not funded by a governmental agency assistance program or collected from third-party payors pursuant to the cost reimbursement methodology in effect for eligible participants.

(n) Donated Goods and Services

Donated goods and certain contributions of services are recorded at their estimated fair values on the date of contribution. The fair value is estimated based on prices of identical or similar products or services. Contributions of services are recognized as revenue if the services received create or enhance nonfinancial assets or are performed by individuals requiring specialized skills. Revenue and expenses from donated goods and services recognized were $1.7 million in 2023 and $1.5 million in 2022. Catholic Charities receives a significant amount of volunteer services, which do not meet the above criteria for recognition in the combined financial statements. Accordingly, the value of these services has not been recorded in the accompanying combined financial statements.

(o) Split-Interest Agreements

Split-interest agreements with donors consist primarily of charitable gift annuity agreements. Assets held under these agreements are included in investments and are recorded at fair value. Liabilities are recorded for the present value of the estimated future payments to be made to the donors or beneficiaries. Assets under the charitable annuity agreements as of June 30, 2023 and 2022 were $1.0 million and $1.1 million, respectively, and the related liabilities were $0.6 million and $0.7 million, respectively.

(p) Capital Advances

Capital advances from HUD to finance rental housing projects are considered liabilities until the period of compliance, generally 40 years, has expired. These advances do not bear interest and repayment is not required so long as the housing remains available to eligible elderly and disabled households, and is operated in compliance with the agreement with HUD. Upon default, however, the entire principal sum and interest per annum at a rate ranging from 3.0% to 8.375% would become due and payable. Capital advances aggregated $92.3 million as of June 30, 2023 and 2022.

On July 29, 2021, St. Joachim House, Inc. transferred via deed the 90-unit apartment building that it owns to DePaul House, Inc., which operates a 109-unit apartment building. In connection with the transfer, DePaul House, Inc. entered into a 35-year HUD-insured mortgage for $11.5 million and the $5.6 million capital advance mortgage note related to St. Joachim House, Inc. was terminated. The Organization recognized a gain on termination of $5.6 million in other non-operating activities in fiscal year 2022. Net proceeds of the mortgage were primarily used to (i) establish an escrow fund to be used for renovations to the two properties, (ii) fund reserves for replacement, and (iii) pay transaction costs.

(q) Nonoperating Activities

Nonoperating revenue (expense) primarily consists of contributions for endowment and capital, and capital grants, as well as investment income (net of investment expenses), including realized and unrealized gains and losses.

(r) Income Taxes

As an affiliate of the Archdiocese, Catholic Charities and its affiliated organizations, except as set forth below, are included in the Official Catholic Directory and thus are exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. Management annually reviews its tax positions and has determined that there are no material uncertain tax positions that require recognition in the combined financial statements.

St. Mark’s Housing, Inc., Hollins Ferry Road Apartments, Inc., Belair Senior Housing, Inc., Village Crossroads Senior Housing, Inc., and BPL, Inc. are for-profit corporations subject to federal income taxes under the Internal Revenue Code. St. Mark’s L/P, Hollins Ferry Senior Housing L/P, Belair L/P, Village Crossroads Senior Housing L/P, and Basilica Place L/P are limited partnerships. No provision for income taxes was required in 2023 or 2022.

(Continued)

(s) Interest Rate Swaps and Cap Agreement

Catholic Charities is a party to interest rate swap and cap agreements to protect against interest rate risks associated with its variable rate Maryland Industrial Development Financing Authority (MIDFA) Bonds, Series 2023. The fair value of these agreements is recorded as an asset or a liability in the combined statements of financial position. The gain or loss resulting from changes in fair value of these instruments is recognized as interest expense in the combined statements of activities.

(t) Fair Value Measurements

Assets and liabilities that are reported at fair value on a recurring basis are categorized into a fair value hierarchy. Fair value is defined 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. The three levels of the fair value hierarchy are as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities.

(u) Noncontrolling Interests

Noncontrolling interests are reported within net assets without donor restrictions on the combined statements of financial position and represent Catholic Charities' noncontrolling interest in three low-income senior housing partnerships.

(v) Related Parties

Several members of the Board of Directors (BOD) are employed by organizations that provide services to Catholic Charities, primarily for utilities services, information technology support, building renovation, retirement plan management and investment services. Fees paid to companies that employ these board members aggregated $4.9 million and $4.4 million in 2023 and 2022, respectively. For all such transactions, measures are taken to mitigate any actual or perceived conflicts, including requiring that such transactions be approved in advance by the BOD and that all such transactions and relationships be reported annually to the BOD.

Catholic Charities has revenue and expenses related to its relationship with the Archdiocese, including contributions, leasing, insurance and employee benefits. Contributions received from the Archdiocese Annual Appeal was $1.4 million and $1.2 million in 2023 and 2022, respectively. Expenses reimbursed to the Archdiocese aggregated $20.8 million and $22.0 million in 2023 and 2022, respectively.

(w) Functional Expenses

Catholic Charities allocates certain expenses on a functional basis among its various programs and supporting services. Expenses that can be identified with a specific program or supporting service are recorded directly. Other expenses that are common to several functions are allocated on various bases including the number of full-time equivalent employees and space usage.

(x) Leases

Effective July 1, 2022, Catholic Charities conducts certain operations in third-party and related party facilities and procures certain vehicles and equipment under lease contracts. Catholic Charities determines if an arrangement contains a lease at the inception of a contract. Right-of-use assets, net represents Catholic Charities right to use an underlying asset of the lease term and lease liabilities represent Catholic Charities obligation to make lease payments arising from the lease. Operating and finance lease right of use assets and related lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term discounted using an appropriate incremental borrowing rate. The incremental borrowing rate is based on the estimated interest rate for borrowing over a term similar to that of the lease payments available at the commencement of the lease. The value of an option to extend a lease is reflected to the extent it is reasonably certain management will exercise that option. For leases with a term of twelve months or less as a lessee, Catholic Charities has elected not to recognize the lease assets and liabilities and account for the lease similar to existing guidance for operating leases.

On the statement of financial position, operating leases are included in the operating right-of-use assets, net and operating lease liabilities. Finance leases are included in property and equipment, net and other liabilities.

Rental income arising from operating leases as a lessor is included in operating rental income in the consolidated statements of activities.

(y) Recent Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, as amended, which requires, among other things, a lessee to recognize a right-of-use asset representing an entity's right to use the underlying asset for the lease term and a liability for lease payments on the statement of financial position, regardless of classification of a lease as an operating or finance lease. Catholic Charities adopted the ASU effective July 1, 2022 using the modified retrospective method and the practical expedient allowing the impact of initially applying ASC 842 as of the beginning of the year of adoption. The total initial operating and financing right-of-use assets and liabilities recognized as of July 1, 2022 was $5.2 million and $0.5 million, respectively.

(2) Investments

Investments consist of the following as of June 30, 2023 and 2022:

	2023	2022
Certificates of deposit and cash	$ 8,684,339	7,569,130
Mutual funds	27,156,747	22,607,272
U.S. government and agency obligations	10,804,120	10,255,881
Corporate bonds	4,016,023	4,061,101
Common stocks	25,903,330	27,224,472
Asset backed securities	64,485	108,977
Private investment funds	8,296,840	8,707,643
	$ 84,925,884	80,534,476

(3) Borrowings under Line of Credit

Catholic Charities has a line of credit agreement that provides for borrowings up to $20 million, effective June 1, 2023. Borrowings under the line of credit bear interest, payable monthly, at Term SOFR Rate plus 1.19%. As security for the line of credit, Catholic Charities granted the bank a security interest in certain revenue, cash receipts, and certain real and personal property, as defined in the agreement. As of June 30, 2023, there was no outstanding balance on the line of credit, which expires August 31, 2024, but can be extended at the sole discretion of the lender.

Prior to June 1, 2023, Catholic Charities had a line of credit agreement that provided for borrowings of up to $15 million at an interest rate of 125 basis points over the greater of 30-day LIBOR or 1%. There was no outstanding balance on the line of credit as of June 30, 2022.

Interest paid on the line of credit borrowings was $15,100 and $5,860 in 2023 and 2022, respectively.

As of June 30, 2023 and 2022, Catholic Charities had outstanding irrevocable letters of credit of $0.8 million and $1.0 million, respectively, issued primarily to the State as security for self-funded unemployment insurance programs and to secure certain HUD and other development projects.

(4) Mortgages and Bonds Payable

Mortgages and bonds payable consist of the following as of June 30, 2023 and 2022:

		2023	2022
Term loan with a bank	$	5,073,091	9,371,253
ACC MIDFA Bonds, Series 2023		17,732,111	—
ACC MIDFA Bonds, Series 2013		—	8,560,417
HUD 202 Projects – Mortgages		36,420,264	35,371,892
Other mortgages		10,896,731	11,042,526
	$	70,122,197	64,346,088

(a) Term Loan with a Bank

In October 2019, the Organization entered into a $10 million term loan agreement with a bank to finance renovations to one of its properties. The term loan was amended and restated as of June 1, 2023, and matures October 15, 2029. Interest is payable monthly at a rate equal to Term SOFR plus 1.39%. Borrowings under the term loan are secured by certain revenue and cash receipts and certain real and personal property, as defined in the agreement.

(b) ACC MIDFA Bonds, Series 2023 and 2013

In June 2023, Catholic Charities issued Economic Development Refunding Revenue Bonds through the Maryland Industrial Development Financing Authority (MIDFA), in the amount of $17.7 million (Series 2023 Bonds). The bonds, which mature in 2048, were purchased by a bank and the proceeds loaned to Catholic Charities to redeem its MIDFA Bonds Serios 2013, pay off a portion of the term loan entered into in October 2019, and provide funds for renovations of certain facilities. At June 2033, the bank has the right to put the bonds back to Catholic Charities in an amount equal to the then remaining principal balance.

The MIDFA Series 2023 Bonds are repayable in monthly principal installments, beginning in August 2023 of $37,153, increasing annually to monthly payment of $77,397 in August of 2042, then decreasing to the final payment of $77,237 in June 2048. Interest on amounts borrowed is payable monthly at a variable rate based on 79% of Term SOFR plus 1.0744%. Borrowings under the agreement are secured by certain revenue and cash receipts and real and personal property, as defined in the agreement. Catholic Charities must satisfy certain financial covenants as long as the bonds are outstanding.

In June 2013, Catholic Charities issued Economic Development Refunding Revenue Bonds through the MIDFA, in the amount of $19.1 million (Series 2013 Bonds). The bonds, which mature in 2035, were purchased by a bank and the proceeds loaned to Catholic Charities to redeem its MEDCO Bonds Series 1999, 2002, and 2004 Issues, its MIDFA Bonds Series 2009 Issue, and Jenkins Memorial Nursing Home’s MEDCO Bonds Series 1997 Issue. The MIDFA Bonds Series 2013 issue were redeemed on June 15, 2023, as described above.

The Series 2013 Bonds interest, payable monthly, at a variable rate based on 72% of the sum of one-month LIBOR plus 1.76% multiplied by a Margin Rate Factor (the Factor) as defined in the Indenture.

(c) HUD 202 Projects

Mortgages related to HUD 202 Projects consist of the following as of June 30, 2023 and 2022:

	2023	2022
Various mortgages payable to/insured by HUD bearing interest at fixed rates ranging from 2.51% to 9.25%. These mortgages require monthly principal and interest payments of approximately $153,000 with the installment on the final mortgage due in 2056. All of the property and equipment of the HUD 202 Projects is subject to lien under the mortgage agreements.	$ 22,835,163	25,415,413
Various mortgages payable to the Community Development Administration, a division of the Department of Housing and Community Development of the State of Maryland, Baltimore County, Harford County, and Arundel Community Development Services, bear interest at fixed rates ranging from 0% to 4.5%. Upon default, however, the interest rate on certain of these mortgages will increase to 8.0%. These mortgages are subordinated to the related mortgages payable to HUD. The mortgage principal and accrued interest are due on the same day as the last monthly installment due on the related HUD mortgages or, in the case of capital advances, after 40 years. Also included are approximately $550,000 of advances from Maryland Affordable Housing Trust and Federal Home Loan Bank in both fiscal years 2023 and 2022.These advances bear no interest and repayment is not required so long as the project remains available to very low income seniors for 15 years.	13,585,101	9,956,479
	$ 36,420,264	35,371,892

(d) Other Mortgages

Other mortgages consist of various mortgages payable to HUD, the Department of Housing and Community Development of the State of Maryland, Baltimore City, and various banks for the construction, purchase, and/or renovation of various program facilities. Monthly principal and interest payments are approximately $35,000 for terms of 30 to 40 years with fixed interest rates ranging from 0% to 8%.

(e) Principal Repayments

The aggregate amount of future principal payments and deferred interest on mortgages and bonds payable as of June 30, 2023 is as follows:

Fiscal year:		
2024	$	2,511,387
2025		2,017,362
2026		2,080,395
2027		1,955,179
2028		2,066,098
Thereafter		59,491,776
	$	70,122,197

Deferred interest is not paid unless noncompliance occurs with HUD mortgages as described above.

(f) Interest Rate Swap and Cap Agreements

In May 2023, Catholic Charities entered into an interest rate swap agreement with an original notional amount of $11.5 million, which amortized monthly. Under this agreement, which is effective July 1, 2023, and matures June 1, 2033, Catholic Charities will pay a fixed rate of 4.137% and will receive variable rate interest payments of 79% of Term SOFR plus 1.0744%. The fair value of this swap agreement included in other liabilities at June 30, 2023 was an asset of $125,240.

In May 2023, Catholic Charities also entered into an interest rate cap agreement. The agreement has an original notional amount of $6.2 million, which amortizes monthly. Under this agreement, which is effective July 1, 2023, and matures June 1, 2033, Catholic Charities receives from the bank an amount equal to the excess interest expense (at a variable rate based on Term SOFR plus 1.0744%) above 7.5744%. The fair value of this agreement at June 30, 2023, was $-0-. In connection with the agreement, Catholic Charities paid an up-front premium of $97,500, which is deferred and is being amortized over the life of the cap agreement.

Prior to May 2023, Catholic Charities was a party to another interest rate swap agreement with an original notional amount of $14.3 million. Under this agreement, which matured in June 2023, the Organization paid through February 2018 a fixed rate of 3.3% and received variable interest payments of 72% of the sum of one-month LIBOR plus 1.76%. Effective March 1, 2018, the swap agreement was amended so that Catholic Charities paid thereafter a fixed rate of 2.47% and received variable interest payments of 87.5% of one-month LIBOR. The fair value of this swap agreement, included in other liabilities at June 30, 2022, was a liability of $2,579.

(g) Interest Paid

Catholic Charities paid interest related to mortgages and bonds payable of approximately $1.9 million and $1.6 million in 2023 and 2022, respectively.

(5) Fair Value Measurements

The following tables present the Organization's fair value measurements for its financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2023 and 2022:

		2023			
		Level 1	Level 2	NAV	Total
Assets:					
Cash, cash equivalents, and restricted cash	$	20,122,438	—	—	20,122,438
Investments:					
Certificates of deposit and cash	$	8,684,339	—	—	8,684,339
Mutual funds		27,156,747	—	—	27,156,747
U.S. government and agency obligations		7,640,655	3,163,465	—	10,804,120
Corporate bonds		—	4,016,023	—	4,016,023
Common stocks		25,758,405	144,925	—	25,903,330
Asset backed securities		—	64,485	—	64,485
Private investment funds		—	—	8,296,840	8,296,840
Total fair value of investments	$	69,240,146	7,388,898	8,296,840	84,925,884
Liabilities:					
Interest rate swap and cap agreements	$	—	125,240	—	125,240

		2022			
		Level 1	Level 2	NAV	Total
Assets:					
Cash, cash equivalents, and restricted cash	$	13,113,360	—	—	13,113,360
Investments:					
Certificates of deposit and cash	$	7,569,130	—	—	7,569,130
Mutual funds		22,607,272	—	—	22,607,272
U.S. government and agency obligations		7,628,255	2,627,626	—	10,255,881
Corporate bonds		—	4,061,101	—	4,061,101
Common stocks		27,090,437	134,035	—	27,224,472
Asset backed securities		—	108,977	—	108,977
Private investment funds		—	—	8,707,643	8,707,643
Total fair value of investments	$	64,895,094	6,931,739	8,707,643	80,534,476
Liabilities:					
Interest rate swap and cap agreements	$	—	2,579	—	2,579

There were no transfers between levels for the years ended June 30, 2023 or 2022.

Level 2 investments and liabilities consist of corporate bonds, government-sponsored debt securities, and interest rate swap and cap agreements, which do not have directly observable quoted prices in active markets but are valued based upon broker quotes for similar securities in active markets.

Private investment funds are stated at NAV, as a practical expedient and are excluded from the fair value hierarchy. These funds are illiquid and not redeemable. As of June 30, 2023, the Organization has remaining unfunded commitments totaling $2.7 million for its private investment funds.

(6) Net Assets

Net assets with donor restrictions consist of the following as of June 30, 2023 and 2022:

		2023	2022
Restricted contributions	$	50,338,534	57,047,134
Donor-restricted endowment funds (historical cost)		25,777,471	25,668,918
Endowment returns		22,562,263	21,244,505
Estates, trusts, and other net assets		207,665	256,689
Total	$	98,885,933	104,217,246

Net assets without donor restrictions includes board designated endowment funds (see note 7).

(7) Endowments

Catholic Charities' endowment funds consist of both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. The endowments were established for a variety of purposes of which 15% is for general agency use and the remaining is to be used for program services. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Board-designated endowment funds include $5.8 million and $5.7 million held as the Henry J. and Marion I. Knott Catholic Community Fund as of June 30, 2023 and 2022, respectively.

Catholic Charities has interpreted the Maryland Uniform Prudent Management of Institutional Funds Act (MUPMIFA) as requiring the Organization to manage and invest the individual donor-restricted endowment funds in good faith and prudence. Catholic Charities classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment where applicable in accordance with the donor gift instrument at the time the accumulation is added to the fund. In accordance with MUPMIFA, Catholic Charities considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the funds; (2) the mission of Catholic Charities and the purpose of donor-restricted endowment funds; (3) general economic conditions; (4) the possible effects of inflation and deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of Catholic Charities; and (7) the investment policies of Catholic Charities.

Catholic Charities has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

To maximize investment performance, endowment assets are pooled with other Catholic Charities' investments and are invested in accordance with the Organization's Investment Policy Statement. The investment policy objectives include the long-term preservation of real purchasing power of the endowment assets, net of inflation and investment management costs, sufficient to fund the annual spending requirements discussed below, while limiting exposure to risk of loss. To satisfy its long-term return objectives, Catholic Charities relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Catholic Charities targets a diversified asset allocation to achieve its long-term objective within prudent risk constraints.

Catholic Charities annually appropriates a portion of its endowment funds for expenditure in the upcoming fiscal year. The amount appropriated is generally 5% to 6% of the trailing 12-quarter average balance of funds designated or restricted for such purposes. The computed value may be adjusted for large contributions, withdrawals, or market value swings as necessary to produce the desired level of cash. In all cases, appropriated amounts are subject to the intent of donors expressed in the gift instruments and the prudent spending requirements of MUPMIFA.

Endowment net asset composition by type of fund as of June 30, 2023 and 2022 is as follows:

		2023		
		Without donor restrictions	**With donor restrictions**	**Total**
Donor-restricted endowment funds	$	—	48,339,734	48,339,734
Board-designated endowment funds		14,143,062	—	14,143,062
Total funds	$	14,143,062	48,339,734	62,482,796

		2022		
		Without donor restrictions	**With donor restrictions**	**Total**
Donor-restricted endowment funds	$	—	46,913,423	46,913,423
Board-designated endowment funds		13,895,025	—	13,895,025
Total funds	$	13,895,025	46,913,423	60,808,448

(Continued)

Changes in endowment net assets for the fiscal years ended June 30, 2023 and 2022 are as follows:

		Without donor restrictions	With donor restrictions	Total
Net assets as of June 30, 2021	$	17,889,241	60,644,630	78,533,871
Investment return:				
Investment income		546,931	1,853,703	2,400,634
Net appreciation (realized and unrealized)		(3,894,941)	(13,209,839)	(17,104,780)
Total investment return		(3,348,010)	(11,356,136)	(14,704,146)
Contributions		—	6,796	6,796
Appropriation of endowment assets for expenditure		(646,206)	(2,381,867)	(3,028,073)
Net assets as of June 30, 2022		13,895,025	46,913,423	60,808,448
Investment return:				
Investment income		531,089	1,805,549	2,336,638
Net appreciation (realized and unrealized)		672,826	2,319,689	2,992,515
Total investment return		1,203,915	4,125,238	5,329,153
Contributions		—	108,553	108,553
Appropriation of endowment assets for expenditure		(955,878)	(2,807,480)	(3,763,358)
Net assets as of June 30, 2023	$	14,143,062	48,339,734	62,482,796

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 MUPMIFA requires Catholic Charities to retain as a fund of perpetual duration. These shortfalls result from unfavorable market fluctuations. There were no significant shortfalls of this nature as of June 30, 2023 or 2022.

(8) Retirement Plans

Certain employees of Catholic Charities participate in the Retirement Plan for Lay Employees of the Archdiocese of Baltimore with other affiliated organizations of the Archdiocese, which is a single-employer plan under common control. Effective July 1, 2011, the Archdiocese froze participation in and benefits accumulation of its plan. Accordingly, no Catholic Charities' employees hired subsequent to that date will become participants and benefits accumulated as of July 1, 2011 are frozen. Benefits were based on age, years of service, and level of compensation.

Pension-related expense, which was $1.4 million and $0.6 million in 2023 and 2022, respectively, is determined and allocated by the Archdiocese to Catholic Charities and is the amount that Catholic

Charities is to remit to the Archdiocese. Annual cash payments, which are also determined by and made to the Archdiocese for remittance to the plan, were $2.3 million in 2023 and 2022.

Participating employers, including Catholic Charities, are responsible for continued funding of the plan for their proportional participation as well as nonperformance of other affiliated employers, if any. Risks of participation in the plan include the following: (a) assets contributed to the plan by one employer may be used to provide benefits to employees of other participating employers; and (b) if a participating employer withdraws from the plan, the unfunded obligation of the plan may be borne by the remaining participating employers. As of June 30, 2023, the plan was less than 65% funded.

Effective July 1, 2011, Catholic Charities adopted its own 403(b) employee retirement plan, which permits participants to defer a percentage of their salary, on a pretax basis, and allows Catholic Charities to make discretionary contributions, based on participants' eligible compensation. Employer contributions are subject to vesting requirements. Gross expense incurred for the 403(b) retirement plan was $2.9 million and $2.7 million for 2023 and 2022, respectively.

(9) Liquidity and Availability

Catholic Charities regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds.

As of June 30, 2023 and 2022, the following assets could readily be available within one year to meet general expenditures:

		2023	2022
Cash and cash equivalents	$	8,237,857	7,824,859
Operating investments		10,218,706	9,976,010
Approved endowment payout for next fiscal year		4,479,790	4,519,446
Accounts receivable, net		17,203,447	17,984,196
Contributions receivable due within 1 year		4,926,285	4,734,840
Financial assets available to meet general expenditures over the next year	$	45,066,085	45,039,351

The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, investments, and a $20 million line of credit, of which $20 million was available to draw as of June 30, 2023, for working capital purposes. The Organization's cash flows have variations during the year attributable to seasonal variations in billings, concentration of contributions received at calendar year ends, and timing of events. Operating investments include only amounts that are without donor restrictions.

(10) Leases

Catholic Charities leases facilities and certain equipment under long-term operating and finance leases. The Organization determines if an arrangement is a lease at the inception of a contract and recognizes lease expense on a straight-line basis over the lease term.

Right-of-use assets and lease liabilities as of June 30, 2023, were as follows:

Right-of-use assets:		
Operating lease assets	$	4,873,301
Finance lease assets, net (property and equipment)		878,159
Total right-of-use assets	$	5,751,460
Lease liabilities:		
Operating lease liabilities	$	4,911,846
Finance lease liabilities		845,021
Total lease liabilities	$	5,756,867

Lease expense for the year ended June 30, 2023 consists of:

Operating lease expense	$	1,572,177
Finance lease expense:		
Amortization of right-of-use assets		137,935
Interest on lease obligations		25,508
Variable lease expense		89,805
Total lease expense	$	1,825,425

Total rent/operating leasing expense was approximately $3.0 million and $2.6 million for the years ended June 30, 2023 and 2022, respectively, including donated rent expense of $1.0 million for both years. Rent/operating lease expense is primarily included in occupancy expense on the combined statements of functional expenses.

Payments due for operating and finance leases through fiscal year 2032 and 2028, respectively, are summarized below as of June 30, 2023:

	Operating	Finance
2024	$ 1,621,349	261,132
2025	1,346,927	219,628
2026	1,115,626	203,389
2027	792,945	183,098
2028	362,134	44,806
Thereafter	606,113	—
Total lease payments	5,845,094	912,053
Less interest	(853,248)	(67,032)
Total lease liabilities	$ 4,991,846	845,021

Other information related to leases after the adoption date of July 1, 2022 for the year ended June 30, 2023 was as follows:

Supplemental cash flow information:	
Operating cash flows for operating leases	$ 2,916,634
Operating cash flows for finance leases	25,508
Financing cash flows for finance leases	171,073
ROU assets obtained in exchange for lease obligations:	
Operating leases	$ 830,192
Finance leases	560,858
Weighted average remaining lease term (years):	
Operating leases	4.16
Finance leases	3.91
Weighted average discount rate:	
Operating leases	3.29 %
Finance leases	3.88

(11) Other Commitments and Contingencies

Catholic Charities is engaged in various legal proceedings arising out of and incidental to its businesses. After reviewing developments with legal counsel, management is of the opinion that these legal proceedings will not have a material adverse effect on its combined financial position.

Amounts received and expended by the Organization under various federal and state programs are subject to audit by governmental agencies. In the opinion of management, audit adjustments, if any, will not have a significant effect on the combined financial position of the Organization.

The Organization entered into an agreement that obligates it to purchase solar net metering credits over a twenty-year period. The credits will offset and fix the cost of electricity for approximately 37% of ACC's annual power usage.

(12) Subsequent Events

Management evaluated subsequent events that occurred after June 30, 2023 and through October 31, 2023 and determined that no adjustments or disclosures to the combined financial statements were required.

SUPPLEMENTAL FINANCIAL INFORMATION

ASSOCIATED CATHOLIC CHARITIES, INC.
AND AFFILIATED ORGANIZATIONS

Supplemental Combining Statement of Financial Position

June 30, 2023

Assets		ACC (A)	Senior Communities (B)	Eliminations (C)	Combined
Cash and cash equivalents	$	4,938,575	3,299,282	—	8,237,857
Restricted cash		9,368,522	2,516,059	—	11,884,581
Accounts receivable, less allowance for doubtful accounts		16,550,209	653,238	—	17,203,447
Contributions receivable, net		43,803,058	—	—	43,803,058
Prepaid expenses and other assets		2,328,278	2,747,264	—	5,075,542
Operating lease right-use assets, net		4,873,301	—	—	4,873,301
Investments, at fair value		78,699,676	6,226,208	—	84,925,884
Property and equipment, net		52,100,317	90,639,095	(8,076,800)	134,662,612
Intercompany		13,249,391	(13,249,391)	—	—
Total assets	$	225,911,327	92,831,755	(8,076,800)	310,666,282
Liabilities and Net Assets					
Liabilities:					
Accounts payable and accrued expenses	$	6,445,944	837,772	—	7,283,716
Accrued salaries and benefits		7,924,668	256,171	—	8,180,839
Accrued interest		717,500	437,085	—	1,154,585
Deferred revenue		5,148,221	210,462	—	5,358,683
Operating lease liabilities		4,911,846	—	—	4,911,846
Other liabilities		4,263,577	831,233	—	5,094,810
Capital advances		5,980,900	86,356,972	—	92,337,872
Mortgages and bonds payable		26,657,107	43,465,090	—	70,122,197
Total liabilities		62,049,763	132,394,785	—	194,444,548
Net assets (deficits):					
Without donor restrictions – controlling interest		64,975,631	(44,041,829)	(8,076,800)	12,857,002
Without donor restrictions – noncontrolling interest		—	4,478,799	—	4,478,799
Total without donor restrictions		64,975,631	(39,563,030)	(8,076,800)	17,335,801
With donor restrictions		98,885,933	—	—	98,885,933
Total net assets		163,861,564	(39,563,030)	(8,076,800)	116,221,734
Total liabilities and net assets	$	225,911,327	92,831,755	(8,076,800)	310,666,282

See accompanying independent auditors' report.

Notes: The combining statement of financial position is included to separately present the assets, liabilities, and net assets of the Organization's low-income senior housing communities, which include a substantial investment in property and equipment, financed primarily with mortgages, and capital advances from the United States Department of Housing and Urban Development (HUD) (Senior Communities). The Senior Communities' net deficits relate primarily to depreciation of property and equipment, which is not currently funded by HUD.

(A) Comprising Associated Catholic Charities, Inc., and certain of its affiliated organizations, as follows: Jenkins Memorial Nursing Home, Inc. (St. Elizabeth's), Cherry Hill Town Center, Inc., My Sister's Place Women's Center Fund, Inc., Our Daily Bread Employment Center Fund, Inc., Sarah's House Fund, Inc., Catholic Charities Nursing, Inc., Esperanza Center Health Services, Inc., and Irvington My Brother's Keeper, Inc.

(B) Comprising the Organization's low-income senior communities, as follows: Catholic Charities Housing, Inc. (Basilica Place), DePaul House, Inc., Bethany Community, Inc., St. Charles House, Inc., Backbone Housing, Inc. (Starner Hill), Coursey Station Apartments, Inc., St. Luke's Apartments, Inc., St. Mark's Housing, Inc., St. Mark's Limited Partnership, St. Joachim House, Inc., Trinity House Apartments, Inc., Hollins Ferry Road Apartments, Inc., Hollins Ferry Senior Housing Limited Partnership, Belair Senior Housing, Inc., Belair Limited Partnership, Odenton Senior Housing, Inc., Glen Burnie Senior Housing, Inc., Reisterstown Village Senior Housing, Inc., Reisterstown Gardens Senior Housing, Inc., Owings Mills Senior Housing, Inc., Aberdeen Senior Housing, Inc., Woodlawn Senior Housing, Inc., Abingdon Senior Housing, Inc., Odenton Senior Housing II, Inc., OLF Senior Housing, Inc., OLF Senior Housing II, Inc., Village Crossroads Senior Housing, Inc., Village Crossroads Senior Housing Limited Partnership, Village Crossroads Senior Housing II, Inc., Basilica Place Limited Partnership, and BPL, Inc.

(C) The elimination relates primarily to construction developer fees paid by the HUD communities to ACC.