

**CATHOLIC CHARITIES AND AFFILIATES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**AND SUPPLEMENTAL INFORMATION**

**For the Year Ended June 30, 2022**



CATHOLIC CHARITIES AND AFFILIATES  
CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION  
For the Year Ended June 30, 2022

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Catholic Charities and Affiliates  
Portland, Oregon

### Opinion

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Catholic Charities and affiliates as of June 30, 2022, 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.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Catholic Charities and affiliates and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

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

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

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Catholic Charities and affiliates' 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Catholic Charities and affiliates' 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.

#### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information, as listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

#### **Other Reporting by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2023, on our consideration of Catholic Charities and affiliates' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Catholic Charities and affiliates' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Catholic Charities and affiliates' internal control over financial reporting and compliance.



Jones & Roth, P.C.  
Eugene, Oregon  
January 31, 2023

CONSOLIDATED FINANCIAL STATEMENTS

CATHOLIC CHARITIES AND AFFILIATES  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
June 30, 2022

**Assets**

**Current assets**

Cash, unrestricted	\$ 1,128,771
Cash, restricted	3,620,061
Accounts receivable, net of allowance for doubtful accounts	4,672,532
Unconditional promises to give receivable, current	792,600
Prepaid expenses	<u>538,654</u>
 Total current assets	 <u>10,752,618</u>

**Property and equipment, net**

40,904,217

**Other assets**

Deposits and prepayments	432,773
Unconditional promises to give receivable, net of current portion	1,008,762
Notes and interest receivable from related parties	7,445,139
Board designated investments	3,196,928
Interests in trusts	414,516
Interests in limited partnerships	4,018,085
Other non-current assets	<u>420,493</u>
 Total other assets	 <u>16,936,696</u>

**Total assets**

\$ 68,593,531

## Liabilities and Net Assets

### Current liabilities

Accounts payable	\$ 799,330
Accrued payroll and related liabilities	963,747
Other accrued liabilities	381,736
Deferred revenue	155,098
Refundable advances	189,924
Line of credit	1,900,000
Current portion of long-term debt	<u>682,192</u>
Total current liabilities	<u>5,072,027</u>

### Long-term liabilities

Interest payable	819,960
Long-term debt, net of current portion and unamortized debt issuance costs	<u>26,735,243</u>
Total long-term liabilities	<u>27,555,203</u>
Total liabilities	<u>32,627,230</u>

### Net assets

Net assets without donor restrictions:	
Board-designated	3,196,928
Undesignated	<u>16,056,549</u>
Total net assets without donor restrictions	19,253,477
Net assets with donor restrictions	<u>16,712,824</u>
Total net assets	<u>35,966,301</u>

**Total liabilities and net assets** \$ 68,593,531

The accompanying notes are an integral part of these consolidated financial statements.

CATHOLIC CHARITIES AND AFFILIATES  
CONSOLIDATED STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenue and support</b>			
Grants	\$ 3,825,974	\$ 4,799,524	\$ 8,625,498
Contracts	5,161,730	-	5,161,730
Contributions and gifts	3,256,439	1,135,985	4,392,424
Service fees and other	5,375,338	-	5,375,338
Rental income	4,489,642	-	4,489,642
Investment income	1,180,871	-	1,180,871
Net assets released from restrictions	<u>3,097,483</u>	<u>(3,097,483)</u>	<u>-</u>
Total revenue and support	<u>26,387,477</u>	<u>2,838,026</u>	<u>29,225,503</u>
<b>Expenses</b>			
Program services:			
Economic and financial services	4,762,345	-	4,762,345
Education programs and youth services	517,619	-	517,619
Family support and counseling services	852,290	-	852,290
Housing and homeless services	1,964,782	-	1,964,782
Housing development and asset management	6,097,797	-	6,097,797
Immigration and legal services	1,103,155	-	1,103,155
Refugee services	<u>2,694,839</u>	<u>-</u>	<u>2,694,839</u>
Total program services	<u>17,992,827</u>	<u>-</u>	<u>17,992,827</u>
Supporting services:			
General and administrative	4,285,310	-	4,285,310
Fundraising	<u>1,600,622</u>	<u>-</u>	<u>1,600,622</u>
Total supporting services	<u>5,885,932</u>	<u>-</u>	<u>5,885,932</u>
Total expenses	<u>23,878,759</u>	<u>-</u>	<u>23,878,759</u>
<b>Change in net assets</b>	2,508,718	2,838,026	5,346,744
Net assets, beginning of year (restated)	<u>16,744,759</u>	<u>13,874,798</u>	<u>30,619,557</u>
Net assets, end of year	<u>\$ 19,253,477</u>	<u>\$ 16,712,824</u>	<u>\$ 35,966,301</u>

The accompanying notes are an integral part of these consolidated financial statements.



CATHOLIC CHARITIES AND AFFILIATES  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended June 30, 2022

	Economic and Financial Services	Education Programs and Youth Services	Family Support and Counseling Services	Housing and Homeless Services	Housing Development and Asset Management	Immigration and Legal Services	Refugee Services	Total Program Services	Fundraising	General and Administrative	Total Expenses
Salaries and wages	\$2,375,227	\$ 211,847	\$ 502,063	\$1,018,591	\$ 393,856	\$ 664,050	\$ 956,153	\$ 6,121,787	\$ 638,607	\$ 2,076,574	\$ 8,836,968
Payroll taxes and fringe benefits	715,417	59,634	162,811	376,729	121,301	239,092	337,673	2,012,657	180,403	364,571	2,557,631
Independent contractors	43,195	3,468	51,087	7,367	7,954	22,674	41,030	176,775	100,908	357,830	635,513
Occupancy	61,040	45,886	42,893	97,215	2,951,824	77,438	114,934	3,391,230	43,681	131,990	3,566,901
Telephone and internet	19,500	2,262	5,501	14,856	3,497	8,293	13,619	67,528	6,300	18,114	91,942
Equipment and equipment maintenance	123,845	21,361	26,264	64,095	15,990	37,711	60,322	349,588	49,296	76,736	475,620
Postage and supplies	11,848	98,137	2,479	41,264	1,894	7,297	9,487	172,406	5,740	7,821	185,967
Printing and publications	7,099	1,600	5,194	11,504	2,675	9,003	10,695	47,770	10,820	12,805	71,395
Parking and mileage	17,814	7,538	1,398	8,019	3,086	68	24,896	62,819	1,003	22,121	85,943
Conferences and staff development	14,421	555	12,109	11,865	8,892	4,323	2,901	55,066	3,617	6,610	65,293
Meals and refreshments	971	4,597	900	6,069	756	1,976	1,191	16,460	2,798	5,705	24,963
Volunteer recognition	12,851	110	82	1,135	200	1,018	3,039	18,435	920	108,186	127,541
Dues and other expenses	26,373	3,386	2,143	5,297	14,273	12,716	3,936	68,124	30,573	107,857	206,554
Sponsorships, advertising/marketing	4,500	1,081	-	16,459	-	-	150,323	172,363	308,041	-	480,404
Event expense	-	-	-	1,405	149	-	5,170	6,724	101,164	115	108,003
Grants to affiliated organizations	-	-	-	-	-	-	-	-	105,000	835,794	940,794
Client assistance	1,308,753	47,436	25,897	235,242	-	495	930,998	2,548,821	339	-	2,549,160
Interest expense	2,750	311	-	-	732,611	-	-	735,672	-	28,985	764,657
Depreciation and amortization	16,741	8,410	11,469	47,670	1,838,839	17,001	28,472	1,968,602	11,412	34,196	2,014,210
Accounting and auditing	-	-	-	-	-	-	-	-	-	89,300	89,300
<b>Total expenses</b>	<b>\$4,762,345</b>	<b>\$ 517,619</b>	<b>\$ 852,290</b>	<b>\$1,964,782</b>	<b>\$ 6,097,797</b>	<b>\$1,103,155</b>	<b>\$ 2,694,839</b>	<b>\$17,992,827</b>	<b>\$ 1,600,622</b>	<b>\$ 4,285,310</b>	<b>\$23,878,759</b>

The accompanying notes are an integral part of these consolidated financial statements.

CATHOLIC CHARITIES AND AFFILIATES  
CONSOLIDATED STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2022

**Cash flows from operating activities**

Change in net assets	\$ 5,346,744
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	2,014,210
Unrealized loss on investments	556,507
Gain on investments	(212,512)
Gain on sale of real estate	(1,081,102)
Receipt of donated real estate	(350,000)
Loss on disposal of unamortized loan fees	43,619
Changes in certain assets and liabilities:	
Unconditional promises to give receivable	(1,121,162)
Accounts receivable	(2,158,525)
Other non-current assets	140,771
Prepaid expenses and deposits	(55,188)
Accounts payable and other accrued liabilities	(219,325)
Accrued payroll and related items	319,475
Deferred revenue	150,445
Accrued interest payable	<u>587,690</u>
 Net cash provided by operating activities	 <u>3,961,647</u>

**Cash flows from investing activities**

Sales of investments in securities	1,422,969
Purchases of investments in securities	(1,006,109)
Purchases of investments in partnerships	(3,437,763)
Increase in notes and interest receivable from related parties	(3,039,816)
Payments received on notes receivable from related parties	21,423
Acquisition of property and equipment	(1,530,824)
Proceeds from sales of property and equipment	<u>2,815,418</u>
 Net cash used by investing activities	 <u>(4,754,702)</u>

**Cash flows from financing activities**

Proceeds from issuance notes payable	2,900,000
Principal payments on notes payable	(4,079,377)
Proceeds from draws on line of credit	3,500,000
Payments on line of credit	<u>(1,600,000)</u>
 Net cash provided by financing activities	 <u>720,623</u>

The accompanying notes are an integral part of these consolidated statements.

CATHOLIC CHARITIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS, Continued  
For the Year Ended June 30, 2022

<b>Net decrease in cash and restricted cash</b>	(72,432)
Cash and restricted cash, beginning of year	<u>4,821,264</u>
Cash and restricted cash, end of year	<u>\$ 4,748,832</u>
<b>Supplemental disclosure of cash flow information</b>	
Cash paid for interest	<u>\$ 747,761</u>
<b>Supplemental schedule of noncash investing and financing activities</b>	
Total acquisition of property and equipment	\$ 5,154,665
Noncash acquisition of property and equipment	<u>(3,623,841)</u>
Total cash paid for property and equipment	<u>\$ 1,530,824</u>
Total increase in long-term debt	\$ 6,523,841
Noncash assumption of long-term debt	<u>(3,623,841)</u>
Total cash proceeds from issuance of long-term debt	<u>\$ 2,900,000</u>

The accompanying notes are an integral part of these consolidated statements.

CATHOLIC CHARITIES AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**1. Nature of Activities**

**Nature of Operations**

Catholic Charities is a nonprofit 501(c)(3) corporation registered with the Corporation Division of the State of Oregon. Catholic Charities has seven corporate members with the Archbishop of the Archdiocese of Portland in Oregon (Archdiocese) as its Chair. A Board of Directors establishes policies and sets the overall direction of Catholic Charities.

***Catholic Charities' Mission Statement***

Inspired by the transformative power of God's love, Catholic Charities, the social service arm of the Catholic Church of Western Oregon, partners with the most vulnerable, regardless of faith, to achieve lasting solutions to poverty and injustice.

***Catholic Charities' Vision for Society and the Organization***

Catholic Charities envisions a society in which all people: thrive economically, socially, and spiritually; cultivate diverse, respectful, and just communities; recognize the inherent dignity and sanctity of human life.

Catholic Charities of Oregon achieves lasting solutions to poverty and injustice by partnering with clients to meet their economic and educational goals and to support their physical and social well-being.

Catholic Charities has service programs and closely affiliated agencies that work to accomplish the mission. Two of these affiliated agencies are regional in scope: Mid-Willamette Valley and Central Coast and Lane County. Another is Archdiocesan in scope: CYO/Camp Howard. In addition, grants are given through Catholic Charities to Catholic-affiliated and other social service agencies serving the needy throughout the Archdiocese. These affiliated agencies are not consolidated in the financial statements of Catholic Charities.

Another affiliated agency is culturally specific in scope: El Programa Hispano Catolico, which is not consolidated in the financial statements of Catholic Charities.

**2. Significant Accounting Policies**

**Method of Accounting**

The accrual method of accounting is used for consolidated financial statement purposes.

**Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CATHOLIC CHARITIES AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**2. Significant Accounting Policies, continued**

**Consolidation**

The consolidated financial statements of Catholic Charities also include the accounts of Catholic Charities' affiliates, Caritas Housing Initiatives, LLC; Caritas Community Housing Corporation; Clark Family Center; Renaissance Court, Inc.; Caritas Plaza (formerly St. Vincent dePaul Plaza); and Caritas Villa (formerly St. Vincent dePaul Villa). Catholic Charities is the sole member of Caritas Housing Initiatives, LLC and has majority representation on the Boards of Directors of Caritas Community Housing Corporation, Clark Family Center, Renaissance Court, Inc., Caritas Plaza, and Caritas Villa. Caritas Housing Initiatives, LLC is the sole member of Caritas Preservation Properties, LLC; Casa Verde Apartments, LP; Caritas Villa Capri GP, LLC; Caritas Sacred Heart Villa LLC; Kateri Park GP LLC; North Slope GP LLC; Clark Center Annex LLC; and these entities are included in the Caritas Housing Initiatives, LLC column in the consolidating statements of financial position and activities. All inter-organizational accounts and transactions have been eliminated in consolidation. Separate audits for, Renaissance Court, Inc., Caritas Plaza, and Caritas Villa are available upon request.

As of July 1, 2021, El Programa Hispano Católico, a culturally specific agency, will continue to be affiliated but will no longer be included in the consolidated financial statements. As a result, consolidated assets, liabilities, and net assets for Catholic Charities and affiliates decreased by \$3,266,937, \$1,479,393, and \$1,787,544, respectively as of July 1, 2021. El Programa Hispano Católico previously met the criteria for consolidation and was included in the consolidated financial statements for the year ended June 30, 2021.

**Property and Equipment**

Property and equipment acquisitions are capitalized at cost, when purchased, or at fair value at the date of gift, when donated. Depreciation and amortization of property and equipment is computed for consolidated financial statement purposes using the straight-line method over the estimated useful lives of the related assets. The estimated useful lives are 40 years for buildings, 15 years for improvements, and 5 years for autos, furniture and fixtures.

**Net Assets**

Net assets, revenue, and support are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

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

*Net assets with donor restrictions* – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that such resources be maintained in perpetuity. Generally, the donors of these assets permit Catholic Charities to use all or part of the income earned on related investments for general or specific purposes.

CATHOLIC CHARITIES AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**2. Significant Accounting Policies, continued**

**Recognition of Donor Restricted Contributions**

Catholic Charities reports gifts of cash and other assets as net assets with donor restrictions support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a purpose for the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Donations with donor restrictions for which the restriction is met during the same fiscal year are recorded as net assets without donor restriction. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported with donor restrictions. For such contributions where donors stipulate how long those long-lived assets must be maintained, the net assets are released from restriction over the period of time the asset is restricted or its estimated useful life, if shorter.

**Bequests and Promises to Give Receivable**

Bequests and unconditional promises to give receivables that are collectible within one year are recorded at estimated net realizable value. Bequests and unconditional promises to give receivables collectible in more than one year are recorded at the present value of estimated future cash flows.

**Cash Equivalents**

For purposes of the consolidated statement of cash flows, all highly liquid investments available for current use with an initial maturity of three months or less are deemed to be cash equivalents.

**Concentration of Credit Risk**

Catholic Charities maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed federally insured limits. At June 30, 2022, cash balances exceeded insured limits by \$2,640,228. Catholic Charities has not experienced any losses in such accounts.

**Receivables**

Receivables consist of grants, contracts, and service fees receivable and are stated at net realizable value.

**Notes Receivable, Related Parties, and Interest Receivable, Related Parties**

Notes receivable, related parties, include notes due from the limited partnerships for which Catholic Charities and affiliates are the General Partner. The notes are stated at their unpaid principal balance. Interest on notes is recognized over the term of the loan. The notes are secured by real estate. Management assessed the need for an allowance for uncollectible notes receivable and interest receivable due from related parties and determined no allowance was necessary for the year ended June 30, 2022. The assessment is based upon expected ability for the respective limited partnerships to pay the debt before or at the time of assumption of the limited partner interest by Catholic Charities and affiliates which is to occur at some future point in accordance with the respective partnership agreements. This evaluation is inherently subjective as it requires significant estimates that are susceptible to future revisions. It is not practical to estimate the fair value of the notes; the carrying amount of the notes approximates fair value.

CATHOLIC CHARITIES AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**2. Significant Accounting Policies, continued**

**Investments**

Investments are recorded at fair value based on market prices, as defined in Note 4.

**Interest in Limited Partnerships**

Catholic Charities accounts for its interest in the various housing limited partnerships using the equity method and are carried at cost adjusted annually for the proportionate share of earnings and losses. It is not practical to estimate the fair value of partnership interests held by Catholic Charities.

**Revenue Recognition**

A substantial portion of the public support and revenue of Catholic Charities is derived from grants and contracts administered by various federal, state, and local government agencies. Revenue from these grants and contracts is subject to audits that could result in adjustments to revenue. The adjustments are recorded at the time that such amounts can first reasonably be determined, normally upon notification by the government agency. During the year ended June 30, 2022, no such adjustments were made.

*Grants* – Grant revenue is primarily from expense reimbursement based grants for which grant revenue is recognized as qualified expenses are incurred, subject to the amount authorized in the grant agreement. Earned, but not yet reimbursed grant expenses due from grantor agencies are reflected in the consolidated financial statements as receivables and revenues. Other grant revenue, that is not contingent on expenses, is recognized when grants are awarded (promised) by the grantor.

*Contract services* – Contract service revenue is primarily comprised of revenue earned from administrative services. The underlying contracts outline the performance obligations and allocate set prices to those obligations. Revenue for administrative services is earned as the services, as outlined in the underlying contracts, are provided, which is considered satisfaction of the performance obligation. Revenue is generally considered earned and is recognized on a monthly basis. There are no elements of variable consideration in the service contracts.

*Developer fee income* – Developer fee income is earned as certain benchmarks, as outlined in the underlying development services agreement, are accomplished, which is considered satisfaction of the performance obligation. The development services agreements detail the separate performance obligations and outline how the total fee should be allocated to those separate performance obligations. There are no elements of variable consideration in the development services agreements.

*Rent income* – Rent income is recognized in the month in which the space is rented by tenants.

**Interest in Charitable Remainder Trust**

Catholic Charities has a 100 percent remainder interest in one charitable remainder trust held by a third-party trustee.

CATHOLIC CHARITIES AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**2. Significant Accounting Policies, continued**

Catholic Charities' interest in the trust has been recorded as a net asset with donor restriction measured at the present value of expected future cash receipts from the trust's assets, which is estimated to be Catholic Charities' percentage of the fair value of the trust's assets.

Distributions from the trust are recorded as released from donor restricted net assets when received. Changes in the amount reported as an asset are recorded as an increase or decrease to net assets with donor restrictions.

**Interest in Perpetual Trust**

Catholic Charities has a 25 percent beneficial interest in a perpetual trust. The assets in this trust are held and managed by a bank. Under the terms of the trust, Catholic Charities has the irrevocable right to receive a percentage of the income earned on the trust assets in perpetuity, but never receives the assets held in trust.

Catholic Charities' interest in the trust has been recorded as a net asset with donor restriction measured at the present value of expected future cash receipts from the trust's assets (estimated to be the fair value of the trust assets).

Distributions from the trust are recorded as a release from donor restricted net assets when received. Changes in the amount reported as an asset are recorded as an increase or decrease in net assets with donor restrictions.

**Financial Instruments**

Catholic Charities' financial instruments consist of accounts receivable, investments, pledges receivable, notes receivable, interests in charitable remainder trusts, interest in perpetual trust, accounts payable, other accrued liabilities, and long-term debt. The investments are adjusted to fair value based on quoted market price (Level 1 inputs) at each consolidated statement of financial position date. Therefore, those assets are exposed to significant market fluctuation. It is management's opinion that Catholic Charities is not exposed to significant interest rate risk or credit risk arising from any of the aforementioned instruments. Unless otherwise noted, the fair values of these financial instruments approximate their carrying values.

**Deferred Revenue**

Deferred revenue represents amounts received on exchange transactions for which remaining performance obligations have not yet been met.

**Donated Services, Materials, and Equipment**

Catholic Charities recognizes donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During the year ended June 30, 2022, Catholic Charities received \$111,326 in donated services.

Also, a substantial number of volunteers have donated significant amounts of their time to Catholic Charities' program services and fundraising campaigns. However, these donated services have not been reflected in the accompanying consolidated financial statements because the appropriate criteria for valuing/recognizing these services have not been met.



CATHOLIC CHARITIES AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**2. Significant Accounting Policies, continued**

**Development Fees**

Caritas Housing Initiatives LLC, Caritas Community Housing Corporation, and Caritas Powell Properties, LLC earn development fees on housing projects developed for related entities (limited partnerships in which either Caritas Housing Initiatives, LLC, Caritas Community Housing Corporation, or Caritas Powell Properties, LLC is the general partner or developer) and on projects owned directly by Caritas Housing Initiatives, LLC, Caritas Community Housing Corporation, or Caritas Powell Properties, LLC. Revenue from development fees is recognized over the development period of the project in accordance with the underlying agreements.

**Development Costs**

Development costs consist of costs incurred during the process of identifying new development projects. Management evaluates the recoverability of development costs based on the likelihood that the development project will be completed, and the costs are stated at net realizable value.

**Income Taxes**

Catholic Charities, Caritas Community Housing Corporation, Clark Family Center, Caritas Plaza, and Caritas Villa are exempt from federal and state income taxes as entities described in Section 501(c)(3) of the Internal Revenue Code and similar state provisions. No income taxes were paid in 2021. Generally, Catholic Charities' tax returns remain open for three years for federal and state income tax examination.

**Functional Allocation of Expenses**

Costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services using full-time equivalents.

**Amortization of Debt Issuance Costs**

Debt issuance (loan) costs related to a recognized debt liability are presented in the consolidated statement of financial position as a direct deduction from the carrying amount of that debt liability and amortization of debt issuance costs are reported as interest expense. See Note 11 for additional information. Debt issuance costs are amortized over the period the obligation is outstanding using the straight-line method. This does not result in a significant difference from the effective interest rate method.

**Recent Accounting Standard Adopted**

During the year ended June 30, 2022, Catholic Charities adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2020-07 *Not-for-Profit Entities* (Topic 958), *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU No. 2020-07 increased the transparency of contributed nonfinancial assets for not-for-profit entities through changes to presentation and disclosure. Catholic Charities adopted the new standard effective July 1, 2021, using the full retrospective approach in these financial statements.

CATHOLIC CHARITIES AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 3. Program and Supporting Services

#### **Program Services**

*Economic and Financial Services* – Includes a broad array of emergency assistance strengthening and anti-poverty services, including rent and general assistance, information and referral services tax clinic, and community education programming.

*Education Programs and Youth Services* – A broad array of support and intervention services designed to promote healthy child development and academic achievement, particularly within the Latino community. Services include community school programs, academic enrichment services, tutorial services, school retention case management, services designed to promote high school and post-secondary educational success, Plaza Comunitarias (Spanish language adult basic education centers), cultural environment, and art related youth activities.

*Family Support and Counseling Services* – Intercultural counseling services and specialized outreach to pregnant women, intensive case management services, parenting education, adoption placement services, health relationship classes, and healthcare access.

*Housing and Homeless Services* – Specialized outreach and housing placement services for chronically homeless women, day center services, and resident services and advocacy for tenants of Caritas Housing projects.

*Housing Development and Asset Management* – Caritas Housing constructs, rehabilitates, and maintains affordable housing for a wide variety of populations, including low-income families, seniors, migrant farm workers, disabled adults, people living with chronic mental illness, and other at-risk and high need populations. Presently, Caritas Housing manages approximately 580 units of housing.

*Immigration and Legal Services* – Provides professional legal services and representation to low-income immigrants and refugees throughout Oregon. Family reunification cases receive special attention. Services include family visas, residency, naturalization, asylum, special relief for battered women, deferred action for childhood arrivals, and assistance to victims of human trafficking.

*Refugee Services* – Assists in the relocation of refugees into the Portland area from refugee camps in foreign lands. The program provides new arrivals with housing, clothing, food, access to education and health care, job search assistance, and general case management and support.

#### **Supporting Services**

Fundraising activities include conducting fundraising campaigns, preparing and distributing fundraising materials, conducting other activities involving soliciting contributions from individuals, foundations, and others, and public relations efforts.

General and administrative activities include business management, record-keeping, budgeting, financing, human resources management, government agency grant and contract acquisition management, licensing and certification compliance, and related administrative activities. These services provide the necessary development, organizational, and management support for effective operation of the programs.

CATHOLIC CHARITIES AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**4. Board Designated Investments**

As of June 30, 2022, the composition of investments was as follows:

Bond funds	\$ 1,115,764
Common stock funds	157,412
Real estate securities	<u>1,923,752</u>
 Total Board designated investments	 <u>\$ 3,196,928</u>

As of June 30, 2022, the fair value measurement for all assets are based on quoted prices in active markets for identical assets and are therefore classified as Level 1.

As defined in ASC 820-10, fair value is 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. In determining fair value, Catholic Charities uses various methods including market, income, and cost approaches. Based on these approaches, Catholic Charities often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. Catholic Charities utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, Catholic Charities is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value to such assets or liabilities.

CATHOLIC CHARITIES AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**5. Accounts Receivable**

As of June 30, 2022, accounts receivable consisted of the following:

Related parties (long term) See Note 17	\$ 1,810,533
Oregon Health Authority	608,000
State of Oregon	569,476
St. Vincent De Paul	412,680
U.S. Catholic Conference	295,664
Joint Offices of Homeless Services	267,518
Tenants	264,235
American Red Cross	250,000
Other	207,451
Chiles Foundation	150,000
Providence	120,710
Catholic Charities USA	105,600
Clackamas County	100,000
Oregon Law Foundation	56,250
JOIN	28,046
ORCAS Lutheran	27,637
Clark Foundation	<u>25,000</u>
	5,298,800
Allowance for doubtful accounts	<u>(626,268)</u>
Total accounts receivable, net	<u>\$ 4,672,532</u>

As of June 30, 2022, accounts receivable related to exchange transactions totaled \$2,074,768. As of July 1, 2021 accounts receivable related to exchange transactions totaled \$945,890.

**6. Property Reserve Accounts (Cash Restricted)**

The Loan Agreements between Caritas Community Housing Corporation and USDA Rural Development - Rural Housing Services (RHS) require Caritas Community Housing Corporation to deposit \$75,857 annually into a separate reserve account until the account reaches \$717,840. Regulatory agreements with HUD require Caritas Plaza, Caritas Villa, and Renaissance Court, Inc. to deposit \$1,603, \$625, and \$873 per month, respectively, to the replacement reserve accounts. Casa Verde, North Slope, and Villa Capri are required to make monthly deposits of \$780, \$924, and \$2,184, respectively, per partnership and/or loan agreements. Withdrawals from the reserve accounts require prior approval from the appropriate regulatory agency or partner.

CATHOLIC CHARITIES AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**7. Notes and Interest Receivable from Related Parties**

As of June 30, 2022, notes and interest receivable from related parties consisted of the following:

<p>Note receivable from Rogue River Affordable Housing, LLC, includes interest at 2.0% compounded annually. Annual payments are to be made from available cash flow. The note is secured by the deed of trust on property. The note is due in December 2070.</p>	<p>\$ 53,419</p>
<p>Note receivable from Rogue River Affordable Housing, LLC, includes interest at 2.0% compounded annually. Annual payments are to be made from available cash flow. The note is secured by the deed of trust on property. The note is due in December 2070.</p>	<p>553,871</p>
<p>Note receivable from Rogue River Affordable Housing, LLC, includes interest at 2.0% compounded annually. Annual payments are to be made from available cash flow. The note is secured by the deed of trust on property. The note is due in December 2070.</p>	<p>747,872</p>
<p>Note receivable from Rogue River Affordable Housing, LLC, includes interest at 2.0% compounded annually. Annual payments are to be made from available cash flow. The note is secured by the deed of trust on property. The note is due in December 2070.</p>	<p>266,459</p>
<p>Note receivable from Esperanza Court, LP, includes interest at 5.31% per annum. Annual payments are to be made from available cash flow. The note is secured by the deed of trust on property. The note is due in September 2037.</p>	<p>150,000</p>
<p>Note receivable from Molalla Gardens, LP, includes interest at 2.25% compounded annually. Annual payments are to be made from available cash. The note is secured by a trust deed on property. The note is due in July 2046.</p>	<p>617,303</p>
<p>Note receivable from Molalla Gardens, LP, includes interest at 2.25% per annum. Annual payments are to be made on or before April 15, commencing April 15, 2018. Annual payments are to be made from available cash. The note is secured by the deed of trust on the property. The note is due by July 1, 2046.</p>	<p>254,763</p>
<p>Note receivable from Rain Garden, LP, includes interest at 6.25% per annum, compounded annually. Annual payments are to be made from available cash. The note is secured by the deed of trust on property. The note is due in July 2038.</p>	<p>1,357,044</p>

CATHOLIC CHARITIES AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**7. Notes and Interest Receivable from Related Parties**, continued

Note receivable from GMV Apartments, LP, includes interest at 8.0% per annum, compounded annually. Annual payments are to be made from available cash. The note is secured by the deed of trust on property. The note matures the earlier of 1) June 17, 2061 or, 2) upon sale or refinance. 633,305

Note receivable from Good Shepherd, LP, includes interest at 1.92% per annum. Payment of principal unpaid accrued interest is due in a single payment on the maturity date. The note is secured by the deed of trust on property. The note matures March 2062. 2,698,000

Note receivable from El Programa Hispano Catolico, includes interest at 3.0% per annum. Monthly payments of \$2,423, including principal and interest. The note is unsecured and matures September 2026. 113,103

Total notes and interest receivable from related parties \$ 7,445,139

The operations generated by investment in limited partnerships and the related real estate are subject to various governmental rules, regulations, and restrictions which make it impracticable to estimate the fair value of the related notes receivable.

**8. Interests in Limited Partnerships**

As of June 30, 2022, interests in limited partnerships (at cost) consisted of the following:

Esperanza Court, LP	\$	5,000
St. Francis Park, LP		177,155
Rain Garden, LP		397,976
GMV Apartments, LP		100
Good Shepherd, LP		<u>3,437,854</u>
Total interests in limited partnerships	<u>\$</u>	<u>4,018,085</u>

Caritas Housing Initiatives, LLC; Caritas Powell Properties, LLC; McCoy Village GP, LLC; and Caritas Community Housing Corporation have agreed to guarantee that the use of the property inside the partnerships is for low-income housing and that the purchase of limited partnership interests will occur as described in the Partnership Agreements.

The operations generated by investment in limited partnerships and the related real estate are subject to various governmental rules, regulations, and restrictions which make it impracticable to estimate the fair value of the interests in limited partnerships.

CATHOLIC CHARITIES AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**9. Interests in Charitable Remainder Trusts and Perpetual Trusts**

As of June 30, 2022, interests in trusts consisted of the following:

Interests in charitable remainder trusts:	
Balance at beginning of year	\$ 88,173
Change in value	<u>(3,895)</u>
Balance at end of year	<u>84,278</u>
Interests in perpetual trusts:	
Balance at beginning of year	410,495
Change in value	<u>(80,257)</u>
Balance at end of year	<u>330,238</u>
Total interests in trusts	<u>\$ 414,516</u>

**10. Property and Equipment**

As of June 30, property and equipment consisted of the following:

Land	\$ 6,052,020
Land improvements	1,049,646
Building and improvements	50,249,576
Equipment	2,155,990
Construction in progress	<u>6,124,103</u>
	65,631,335
Accumulated depreciation and amortization	<u>(24,727,118)</u>
Property and equipment, net	<u>\$ 40,904,217</u>

**11. Long-term Debt**

As of June 30, 2022, long-term debt consisted of the following:

Note payable to Clackamas County Community Development Division is non-interest bearing. The note is secured by a note receivable from Casa Verde Apartments, LP and related security interest in property. The loan is due if the property is sold, there is a change in use, the property ceases to be affordable to low-income tenants, or there is material non-compliance with the terms of the HOME Rental Project agreement.	\$ 250,000
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Note payable to Rural Housing Services accrues interest at 1.00%. The note is secured by a trust deed in Sandy Vista. Payments of principal and interest of \$3,997 began May 2004 and continue through April 2037.	619,355
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CATHOLIC CHARITIES AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**11. Long-term Debt, continued**

Note payable to Rural Housing Services accrues interest at 1.00%. The note is secured by a trust deed in Sandy Vista. Payments of principal and interest of \$6,374 began in July 2005 and continue through June 2038. 1,065,044

Note payable to Rural Housing Services accrues interest at 1.00%. The note is secured by a trust deed in Cedar Park Gardens. Payments of principal and interest of \$2,892 began January 2005 and continue through December 2035. 304,664

Note payable to Rural Housing Services accrues interest at 1.00%. The note is secured by a trust deed in Cedar Park Gardens. Payments of principal and interest of \$2,208 began January 2005 and continue through December 2034. 232,635

Note payable to Oregon Department of Human Services, Office of Mental Health and Addictions is non-interest bearing. The note is due in full in July 2056. The note is secured by a trust deed in Renaissance Court, Inc. 200,000

Note payable to Clackamas County Community Development Division is non-interest bearing. The note is secured by a trust deed in Renaissance Court, Inc. The loan is due if the property is sold, there is a change in use, the property ceases to be affordable to low-income tenants, or there is material non-compliance with the terms of the HOME Rental Project agreement during the 20-year compliance period which ends in April 2028. 420,000

Note payable to Bellwether Enterprise Real Estate Capital, LLC and accrues interest at 3.84%. The note is secured by a trust deed in Caritas Plaza. Payments of principal and interest of \$9,112 began May 2018 and continue through April 2053. HUD has insured the mortgage under the provision of Section 207, pursuant to Section 223 (f) of the National Housing Act. 1,974,297

Note payable to Bellwether Enterprise Real Estate Capital, LLC and accrues interest at 4.14%. The note is secured by a trust deed in Caritas Villa. Payments of principal and interest of \$7,017 began May 2018 and continue through April 2053. HUD has insured the mortgage under the provision of Section 207, pursuant to Section 223 (f) of the National Housing Act. 1,465,228

Note payable to Oregon Department of Human Services, Office of Mental Health and Addictions accrues interest at 5.00%. The note is due in full in May 2057. The note is secured by a trust deed in Renaissance Court, Inc. 285,000



CATHOLIC CHARITIES AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**11. Long-term Debt, continued**

Note payable to U.S. Bank accrues interest at 4%. The note is unsecured. The initial maturity date of the loan was May 2016. The lender was required to extend the maturity date in one year increments for five more years if all conditions of the loan agreement are still met. After the additional five years, the lender opted to extend the maturity date to May 2027 and reduced the interest rate to 3.00%. 250,000

Note payable to First Interstate Bank accrues interest at 4.43% as long as Casa Verde Apartments, LP qualifies as a low-income housing tax credit project, otherwise the rate would be 8.43%. The note is secured by a trust deed in Casa Verde Apartments, LP. Payments of principal and interest of \$2,893 began May 2000 and continue through 2031. 247,226

Note payable to U.S. Bank accrues interest at 3.26% as long as North Slope, LP qualifies as a low-income housing tax credit project, otherwise the rate would be 7.26%. The note is secured by a trust deed in North Slope, LP. Payments of principal and interest of \$1,331 began May 2000 and continue through 2030. 116,876

Note payable to Network for Oregon Affordable Housing accrues interest at 5.15%. The note is secured by a trust deed in Villa Capri Apartments, LP. Payments of principal and interest of \$14,148 began April 2004 and continue through 2034. 1,494,265

Note payable to Washington County accrues interest at 3.00%. The note is secured by a trust deed in Villa Capri Apartments, LP. Interest payments equal to the lesser of \$60,000 or available net cash flow, as defined in the Partnership Agreement, are due each June 30th. Principal and any accrued but unpaid interest are due at maturity on June 30, 2040. 731,941

Note payable to Portland Housing Bureau (PHB) is non-interest bearing. The note matures upon full repayment. Payments on the loan are subject to available cash flow. The note is secured by a trust deed in Caritas Sacred Heart Villa, LLC. 3,323,270

Note payable to Columbia Bank accrues interest at 3.228%. The note is secured by a trust deed in Clark Family Center. Interest only payments were due from November 2016 through October 2017. In November 2017, payments of principal and interest in the amount of \$15,345 began and continue through October 2041. The note allows for interest rate resets in October 2026 and 2036. 2,648,339

CATHOLIC CHARITIES AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**11. Long-term Debt, continued**

Note payable to Columbia Bank with a variable rate based on LIBOR plus 2% and an underlying swap agreement that accrues interest at 3.2% fixed rate. The note is secured by a trust deed in Clark Family Center. Monthly payments of principal and interest vary but are approximately \$15,500 began in July 2020 and continue through June 2030. 3,029,600

Note payable to Network for Oregon Affordable Housing with a stated interest rate at 7.24%; however, as long as the project qualifies as a low-income housing tax credit project during the first 20 years of the project's operation, the lower interest rate of 3.24% will remain in effect. The initial amount of the note payable was \$2,924,975 which was restructured in June 2008 and \$630,530 of the principal balance was prepaid. The note is secured by a trust deed in Kateri Park. Payments of principal and interest of \$9,932 began August 2008 and continue through April 2036. 1,327,322

Note payable to Portland Housing Bureau (PHB) in the original amount of \$500,000. On April 18, 2016, outstanding accrued interest of \$13,750 was reclassified to additional loan principal. The interest rate on the loan was 3.00% and the loan matures in March 2046. On May 23, 2016, the remaining principal balance of \$513,750 and accrued interest balance of \$121,010 were each transferred to the principal and accrued interest balance of a new note. The new note bears no interest and matures March 1, 2046. Under the terms of the promissory note, payments of one-half of excess cash flow, as defined in the note, are due annually on October 1. The note is secured by a trust deed in Kateri Park LP. 593,961

Note payable to PHB in the original amount of \$705,000. The interest rate on the loan is 1.00%. Payments on the loan are to be made from available cash flow from Kateri Park LP, as defined in the loan agreement. The maturity date of the loan is June 1, 2048 or upon sale or refinance, whichever is earlier. Effective February 1, 2012 through May 1, 2014, the lender approved a temporary deferral of payments and interest, including accrual interest. The note is secured by a trust deed in Kateri Park LP. 705,000

Note payable to Umpqua Bank in the original amount of \$2,900,000. The interest rate on the loan is 4.70% per annum. Payments on the loan are to be made monthly in the amount of \$16,589 effective June 1, 2022 through May 1, 2032. The note is secured by the Caritas Sacred Heart property. 2,896,280

CATHOLIC CHARITIES AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**11. Long-term Debt, continued**

Note payable to Beneficial State Bank in the original amount up to \$4,136,000 as a construction loan with draw period ending February 17, 2023 of which \$3,623,842 was borrowed. The maturity date of the loan is February 17, 2053 with variable interest rates. 18 monthly interest payments beginning September 17, 2021 at interest rate of 3.50%. Effective March 17, 2023 interest and principal will be paid at an interest rate of 3.310% and upon completion of construction phase the loan will convert to a permanent loan at a variable rate not to exceed 6.00% per annum during years 1-10. The note is secured by the constructed Clark Center Annex property.

	3,623,842
	27,804,145
Unamortized debt issuance costs	(386,710)
Current portion	(682,192)
 Long-term debt, net of current portion and unamortized debt issuance costs	 \$ 26,735,243

Principal payments on the notes payable for the next five years are as follows:

<u>Year Ending June 30,</u>	
2023	\$ 682,192
2024	703,667
2025	727,847
2026	751,295
2027	776,798
Thereafter	24,162,346
Total	\$ 27,804,145

As a result of the variable interest rate associated with the note issued by Columbia Bank for \$3,200,000, Catholic Charities is exposed to interest rate risk. In order to hedge the interest rate risk associated with the variable rate debt, Catholic Charities entered into an interest rate swap with Columbia Bank in June 2020. The terms of the interest rate swap results in the payment of a fixed rate of interest and the receipt of a variable rate of interest, which will result in a fixed interest rate of 3.2 percent over the term of the note. The net cash to be paid or received under the swap is calculated based on the notational amount equal to the outstanding principal of the underlying note payable, and is reported within interest expense.

FASB Accounting Standard Codification (ASC) 815, *Derivatives and Hedging*, provides guidance for the accounting treatment of derivative instruments such as interest rate swaps, and requires that such contracts be evaluated for eligibility for hedge accounting or other applicable accounting treatment. This guidance would generally result in an asset or liability being reported on the consolidated statements of financial position, equal to the fair value of the interest rate swap, with changes in fair value being reported as a change in net assets. As of June 30, 2022, the fair value of the interest rate swap resulted in a \$312,465 asset.

CATHOLIC CHARITIES AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**11. Long-term Debt, continued**

The operations generated by the investment in limited partnerships and the related real estate are subject to various rules, regulations, and restrictions which make it impracticable to estimate the fair value of the related notes payable.

Catholic Charities has to comply with certain restrictive financial covenants including requirements to furnish audited financial statements to various lenders by specified due dates following each fiscal year-end. Catholic Charities must also to comply with debt service coverage ratio, minimum liquidity, minimum loan loss reserve, positive net income, and project reserve requirements. Catholic Charities was not in compliance with the requirements to furnish audited financial statements by specified due dates to several lenders following the year ended June 30, 2022. All such violations have been waived by the respective lenders for the year ended June 30, 2022.

**12. Liquidity and Availability of Financial Assets**

The following reflects Catholic Charities' financial assets as of June 30, 2022, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the consolidated statement of financial position date. As part of Catholic Charities' liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition to financial assets available to meet general expenditures over the next 12 months, Catholic Charities anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted sources. Catholic Charities' financial assets available within one year of the consolidated statement of financial position for general expenditure are as follows:

Financial assets at year-end:	
Cash, unrestricted	\$ 1,128,771
Accounts receivable	4,672,532
Unconditional promises to give receivable	1,801,362
Board designated investments	<u>3,196,928</u>
Total financial assets	10,799,593
Less amounts not available to be used within one year:	
Net assets with donor restrictions	(4,684,753)
Long-term related party receivables	(1,810,533)
Designated funds established by the board	<u>(3,196,928)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,107,379</u>

CATHOLIC CHARITIES AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**13. Net Assets with Donor Restrictions**

As of June 30, 2022, net assets with donor restrictions were available for the following purposes:

Interest in charitable remainder trust	\$ 84,278
For use in future periods	4,684,753
Interest in perpetual trust	330,239
Haven House (Caritas Housing Initiatives, LLC)	274,990
Howard House (Caritas Housing Initiatives, LLC)	1,662,838
Renaissance Court, Inc. (Caritas Community Housing Corporation)	2,605,963
Sandy Vista (Caritas Community Housing Corporation)	2,926,880
Cedar Park Gardens (Caritas Community Housing Corporation)	425,000
Rain Garden (Caritas Community Housing Corporation)	851,149
Rogue River Affordable Housing (Caritas Housing Initiatives, LLC and Caritas Community Housing Corporation)	1,518,417
Good Shepherd Village (Catholic Charities)	<u>1,348,317</u>
 Total net assets with donor restrictions	 <u>\$ 16,712,824</u>

As of June 30, 2022, net assets without donor restrictions are as follows:

Board-designated	\$ 3,196,928
Affordable Housing properties	7,239,581
Undesignated	<u>8,816,968</u>
 Total net assets without donor restrictions	 <u>\$ 19,253,477</u>

**14. Net Assets Released from Restrictions**

For the year ended June 30, 2022, net assets were released from donor restrictions by incurring expenses satisfying the following restricted purpose:

For use in future periods	\$ 3,075,483
Rain Garden (Caritas Community Housing Corporation)	18,667
Renaissance Court, Inc.	<u>3,333</u>
 Total net assets released from restrictions	 <u>\$ 3,097,483</u>

CATHOLIC CHARITIES AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**15. Commitments**

**Operating Leases**

Catholic Charities leases facilities and equipment under various noncancelable operating lease agreements expiring through June 2026. Minimum payments remaining under the leases are as follows:

<u>Year Ending June 30,</u>	
2023	\$ 41,546
2024	27,146
2025	6,646
2026	3,722
2027	<u>-</u>
	<u>\$ 79,060</u>

Rent expense for the year ended June 30, 2022 totaled \$71,391.

**Guaranty Agreement - Esperanza Court, LP**

Catholic Charities has entered into a guaranty agreement as of August 17, 2007 with Esperanza Court, LP. Catholic Charities has guaranteed the following in regards to the operations of Esperanza Court, LP:

1. Fund operating deficits of up to \$500,000 beginning with stabilization and ending when certain conditions are met as defined in the Esperanza Court, LP partnership agreement (the Agreement);
2. Fund developer fee advances if necessary as defined in the Agreement;
3. Credit adjuster guaranty if necessary as described in the Agreement;
4. Guaranty of obligation to purchase interest of the limited partner if certain conditions are met as described in the Agreement;
5. Ensure completion of other covenants and conditions agreed to by the general partner as defined in the Agreement.

**Guaranty Agreement - Rain Garden, LP**

Catholic Charities has entered into a guaranty agreement as of August 5, 2008 with Rain Garden, LP. Catholic Charities has guaranteed the following in regards to the operations of Rain Garden, LP:

1. Fund unlimited operating deficits up to the stabilization date, as defined in the partnership agreement. After the stabilization date, up to a maximum of \$28,000 in operating deficits. The obligation ends when certain conditions are met as stipulated in the Rain Garden, LP partnership agreement;
2. Credit adjuster guaranty if necessary as described in the Rain Garden, LP partnership agreement;
3. Guaranty of obligation to purchase interest of the limited partner if certain conditions are met as described in the partnership agreement.

CATHOLIC CHARITIES AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**15. Commitments, continued**

**Caritas Sacred Heart Villa**

Caritas Sacred Heart Villa, LLC has entered into the following agreements related to the purchase of Caritas Sacred Heart Villa, a multifamily residential and commercial development in Portland, Oregon.

1. Guaranty of obligation of payment and prompt performance related to the U.S. Bank loan;
2. Regulatory agreement with the Portland Housing Bureau (PHB) that requires the property be operated as affordable housing for 60 years.

**Guaranty Agreement - GMV Apartments LP**

Catholic Charities and Caritas Housing Initiatives, LLC have entered into a guaranty agreement with GMV Apartments, LP., whereby Catholic Charities and Caritas Housing Initiatives, LLC guarantee that the general partner and developer of GMV Apartments, LP, McCoy Village GP, LLC, and Caritas Housing Initiatives, LLC, respectively, will perform all obligations required of the general partner and developer as fully described in the GMV Apartments, LP partnership agreement and development agreement and to the extent the general partner or developer fail to perform all duties required, Catholic Charities and Caritas Housing Initiatives, LLC are obligated to complete these same duties.

**Operating Deficit Guaranty Agreement - GMV Apartments LP**

Catholic Charities has entered an operating deficit guaranty with GMV Apartments LP as set forth in the GMV Apartments LP partnership agreement. Under the guaranty, the general partner is obligated to fund operating deficits in an unlimited amount through the stabilization date, as defined in GMV Apartment LP's partnership agreement. Subsequent to the stabilization date, the general partner's obligation is limited to \$202,000 for deficits not funded by the operating reserve. The obligation terminates on the date that the following have occurred simultaneously:

1. The project has operating at breakeven for at least 3 consecutive years following the stabilization date;
2. The balance in the operating reserve is at least \$217,410.

**Guaranty Agreement - St. Francis Park, LP**

Catholic Charities entered into a Guaranty Agreement (the Agreement) with Key Community Development Corporation, the limited partner in St. Francis Park, LP. Catholic Charities has guaranteed the following:

1. Fund operating deficits as defined in the Agreement;
2. Bank account loss, loan shortfall and tax abatement guarantees as defined in the Agreement;
3. Indemnification and capital contribution guarantees as defined in the Agreement;
4. Repurchase obligation related to the limited partners interest due to certain events defined in the Agreement.

CATHOLIC CHARITIES AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**15. Commitments, continued**

**Guaranty Agreement - Rogue River Affordable Housing, LLC**

Catholic Charities entered into a Guaranty Agreement (the Agreement) with Enterprise Community Investment Corporation, the investment member in Rogue River Affordable Housing, LLC. Catholic Charities has guaranteed the due and punctual performance by the managing member and the developer of all of their obligations under the Operating Agreement, as the same may be amended from time to time, with or without the consent of, or notice to, the Guarantor and the Development Services Agreement, as the same may be amended from time to time, with or without the consent of, or notice to, the Guarantor.

**Guaranty Agreement – Good Shepherd, LP**

Catholic Charities entered into a guaranty agreement (the Agreement) as of February 28, 2022 with Good Shepherd, LP. Catholic Charities has guaranteed the following in regards to the operations of Good Shepherd LP:

1. Completion of development in process;
2. Guaranty of operation deficit shortfall coverage as defined in the Agreement;
3. Fund developer fee advances if necessary as defined in the Agreement;
4. Credit adjuster guaranty if necessary as described in the Agreement;
5. Ensure completion of other covenants and conditions agreed to by the general partner as defined in the Agreement.
6. Guaranty of obligation to purchase interest of the limited partner if certain conditions are met as described in the Agreement.

**16. Grant Contingencies**

Amounts receivable from various contracting agencies are subject to audit and potential adjustment by the contracting agencies. Any disallowed claims, including amounts already collected, would become a liability of Catholic Charities if so determined in the future. It is management's belief that no material amounts received or receivable will be required to be returned in the future that have not already been provided for.

**17. Related Party Transactions**

During the year ended June 30, 2022, Catholic Charities had transacted business with the following related parties:

- Rogue River Affordable Housing, LLC, a limited liability company .01 percent owned by Caritas Housing Initiatives, LLC
- Esperanza Court, LP, a limited partnership .01 percent owned by Caritas Powell Properties, LLC
- Molalla Gardens, LP, a limited partnership .01 percent owned by Caritas Community Housing Corporation
- Rain Garden, LP, a limited partnership .01 percent owned by Caritas Community Housing Corporation



CATHOLIC CHARITIES AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**17. Related Party Transactions**, continued

- GMV Apartments, LP, a limited partnership .01 percent owned by McCoy Village GP, LLC
- St. Francis Park, LP, a limited partnership .01 percent owned by St. Francis Park GP, LLC
- Good Shepherd, LP, a limited partnership .01 percent owned by Good Shepherd Village, LLC
- El Programa Hispano Catolico, an affiliated organization

**Statement of Financial Position**

Included in assets –

Accounts receivable:

El Programa Hispano Catolico	\$ 570,794
Esperanza Court, LP	176,078
GMV Apartments, LP	125,155
Molalla Gardens, LP	156,389
St. Francis Park, LP	30,300
Rain Garden, LP	100
Rogue River Affordable Housing, LLC	<u>751,717</u>

\$ 1,810,533

Notes and interest receivable from related parties (Note 7) \$ 7,445,139

**Statement of Activities**

Interest income:

Molalla Gardens, LP	\$ 25,327
Rogue River Affordable Housing, LLC	31,306
Esperanza Court, LP	7,965
Rain Garden, LP	83,242
Good Shepherd, LP	17,267
GMV Apartments, LP	<u>68,589</u>

\$ 233,696

Resident services and asset management fees:

GMV Apartments, LP	\$ 29,136
Molalla Gardens, LP	13,116
St. Francis Park, LP	<u>30,900</u>

\$ 73,152

**18. Lines of Credit**

Catholic Charities has a line of credit with U.S. Bank and can borrow up to \$2,900,000. The line of credit carries a variable interest rate and had an effective rate of 3.00% as of June 30, 2022. The line of credit is secured by investments held at U.S. Bank and matures July 31, 2023. As of June 30, 2022, the total amount outstanding on the line of credit was \$1,900,000.

CATHOLIC CHARITIES AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**19. Retirement Plan**

Catholic Charities maintains a defined contribution plan. All employees with a minimum of one year of service are eligible for the Plan. Under the terms of the Plan, Catholic Charities contributes a certain percentage, determined annually, of employee compensation on a monthly basis. For the year ended June 30, 2022, Catholic Charities contributed \$237,210 to the defined contribution plan. The plan offers a tiered matching component based on employees' years of service with the agency.

**20. Concentrations**

Approximately 7% percent of Catholic Charities' revenue was received from one grantor for the year ended June 30, 2022.

**21. Uncertainties and Contingencies**

As of the date of the independent auditor's report, there still exists certain economic uncertainties related to the COVID-19 coronavirus pandemic. These continuing uncertainties could negatively impact Catholic Charities' future financial condition and operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

**22. Subsequent Events**

Management evaluates events and transactions that occur after the consolidated statement of financial position date as potential subsequent events. Management has performed this evaluation through the date of the independent auditor's report.

SUPPLEMENTAL INFORMATION

**CATHOLIC CHARITIES AND AFFILIATES**  
**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION**  
**June 30, 2022**

<b>Assets</b>	Catholic Charities	Clark Family Center	Caritas Housing Initiatives	Caritas Community Housing Corporation	Caritas Plaza & Caritas Villa	Eliminations	Total
<b>Current assets</b>							
Cash, unrestricted	\$ 759,934	\$ 41,687	\$ 185,024	\$ 9,225	\$ 132,901	\$ -	\$ 1,128,771
Cash, restricted	5,258	-	2,247,220	840,168	527,415	-	3,620,061
Accounts receivable	3,675,090	16,406	837,543	470,072	100,685	(427,264)	4,672,532
Unconditional promises to give receivable, current	792,600	-	-	-	-	-	792,600
Intercompany receivable	4,523,650	2,605,678	65,176	713,042	33,513	(7,941,059)	-
Prepaid expenses	286,033	41,892	133,015	53,425	27,026	(2,737)	538,654
<b>Total current assets</b>	<b>10,042,565</b>	<b>2,705,663</b>	<b>3,467,978</b>	<b>2,085,932</b>	<b>821,540</b>	<b>(8,371,060)</b>	<b>10,752,618</b>
<b>Property and equipment, net</b>	<b>2,943,907</b>	<b>10,243,717</b>	<b>18,791,975</b>	<b>8,379,239</b>	<b>1,133,512</b>	<b>(588,133)</b>	<b>40,904,217</b>
<b>Other assets</b>							
Deposits and prepayments	235,069	-	140,479	43,975	13,250	-	432,773
Unconditional promises to give receivable, net of current portion	1,008,762	-	-	-	-	-	1,008,762
Notes and interest receivable from related parties	113,103	-	2,393,230	4,938,806	-	-	7,445,139
Board designated investments	3,196,928	-	-	-	-	-	3,196,928
Interests in trusts	414,516	-	-	-	-	-	414,516
Interests in limited partnerships	11,345,869	-	788,364	4,174,835	-	(12,290,983)	4,018,085
Other non-current assets	-	312,465	107,528	500	-	-	420,493
<b>Total other assets</b>	<b>16,314,247</b>	<b>312,465</b>	<b>3,429,601</b>	<b>9,158,116</b>	<b>13,250</b>	<b>(12,290,983)</b>	<b>16,936,696</b>
<b>Total assets</b>	<b>\$ 29,300,719</b>	<b>\$ 13,261,845</b>	<b>\$ 25,689,554</b>	<b>\$ 19,623,287</b>	<b>\$ 1,968,302</b>	<b>\$ (21,250,176)</b>	<b>\$ 68,593,531</b>
<b>Liabilities and Net Assets</b>							
<b>Current liabilities</b>							
Accounts payable	\$ 266,900	\$ -	\$ 382,370	\$ 136,790	\$ 20,534	\$ (7,264)	\$ 799,330
Intercompany payable	2,714,655	-	2,889,941	2,281,589	54,874	(7,941,059)	-
Accrued payroll and related liabilities	963,747	-	-	-	-	-	963,747
Other accrued liabilities	126,587	162	188,357	40,220	26,410	-	381,736
Deferred revenue	143,811	1,704	5,270	4,313	2,730	(2,730)	155,098
Refundable advances	189,924	-	-	-	-	-	189,924
Line of Credit	1,900,000	-	-	-	-	-	1,900,000
Short-term portion of long-term debt	-	190,147	269,206	164,717	58,122	-	682,192
<b>Total current liabilities</b>	<b>6,305,624</b>	<b>192,013</b>	<b>3,735,144</b>	<b>2,627,629</b>	<b>162,670</b>	<b>(7,951,053)</b>	<b>5,072,027</b>
<b>Long-term liabilities</b>							
Interest payable	-	-	591,652	216,935	11,373	-	819,960
Long-term debt	250,000	5,458,514	14,868,092	3,381,981	3,196,656	(420,000)	26,735,243
<b>Total long-term liabilities</b>	<b>250,000</b>	<b>5,458,514</b>	<b>15,459,744</b>	<b>3,598,916</b>	<b>3,208,029</b>	<b>(420,000)</b>	<b>27,555,203</b>
<b>Total liabilities</b>	<b>6,555,624</b>	<b>5,650,527</b>	<b>19,194,888</b>	<b>6,226,545</b>	<b>3,370,699</b>	<b>(8,371,053)</b>	<b>32,627,230</b>
<b>Net assets</b>							
Net assets without donor restrictions:							
Board-designated	3,196,928	-	-	-	-	-	3,196,928
Undesignated	13,100,580	7,611,318	3,288,421	6,337,750	(1,402,397)	(12,879,123)	16,056,549
<b>Total net assets without donor restrictions</b>	<b>16,297,508</b>	<b>7,611,318</b>	<b>3,288,421</b>	<b>6,337,750</b>	<b>(1,402,397)</b>	<b>(12,879,123)</b>	<b>19,253,477</b>
Net assets with donor restrictions	6,447,587	-	3,206,245	7,058,992	-	-	16,712,824
<b>Total net assets</b>	<b>22,745,095</b>	<b>7,611,318</b>	<b>6,494,666</b>	<b>13,396,742</b>	<b>(1,402,397)</b>	<b>(12,879,123)</b>	<b>35,966,301</b>
<b>Total liabilities and net assets</b>	<b>\$ 29,300,719</b>	<b>\$ 13,261,845</b>	<b>\$ 25,689,554</b>	<b>\$ 19,623,287</b>	<b>\$ 1,968,302</b>	<b>\$ (21,250,176)</b>	<b>\$ 68,593,531</b>

**CATHOLIC CHARITIES AND AFFILIATES**  
**CONSOLIDATING SCHEDULE OF ACTIVITIES**  
For the Year Ended June 30, 2022

	Catholic Charities	Clark Family Center	Caritas Housing Initiatives	Caritas Community Housing Corporation	Caritas Plaza & Caritas Villa	Eliminations	Total
<b>Revenue and support</b>							
Grants	\$ 8,557,443	\$ -	\$ -	\$ 15,000	\$ 68,055	\$ (15,000)	\$ 8,625,498
Contracts	5,161,730	-	-	-	-	-	5,161,730
Contributions and gifts	4,392,424	-	-	-	-	-	4,392,424
Service fees and other	1,089,279	-	698,510	4,080,912	(4,740)	(488,623)	5,375,338
Rental income	80,075	387,127	2,640,578	934,244	818,730	(371,112)	4,489,642
Investment income (loss)	(577,910)	312,465	257,453	1,188,558	305	-	1,180,871
<b>Total revenue and other support</b>	<b>18,703,041</b>	<b>699,592</b>	<b>3,596,541</b>	<b>6,218,714</b>	<b>882,350</b>	<b>(874,735)</b>	<b>29,225,503</b>
<b>Expenses</b>							
Program services:							
Economic and financial services	4,762,345	-	-	-	-	-	4,762,345
Education programs and youth services	517,619	-	-	-	-	-	517,619
Family support and counseling services	857,255	-	-	-	-	-	857,255
Housing and homeless services	1,964,782	-	-	-	-	-	1,964,782
Housing development and asset management	575,859	628,818	3,660,223	1,294,116	762,955	(824,174)	6,097,797
Immigration and legal services	1,103,155	-	-	-	-	-	1,103,155
Refugee services	2,694,839	-	-	-	-	-	2,694,839
<b>Total program services</b>	<b>12,475,854</b>	<b>628,818</b>	<b>3,660,223</b>	<b>1,294,116</b>	<b>762,955</b>	<b>(824,174)</b>	<b>17,997,792</b>
Supporting services:							
General and administrative	4,142,162	1,401	54,124	48,746	84,473	(50,561)	4,280,345
Fundraising	1,600,622	-	-	-	-	-	1,600,622
<b>Total supporting services</b>	<b>5,742,784</b>	<b>1,401</b>	<b>54,124</b>	<b>48,746</b>	<b>84,473</b>	<b>(50,561)</b>	<b>5,880,967</b>
<b>Total expenses</b>	<b>18,218,638</b>	<b>630,219</b>	<b>3,714,347</b>	<b>1,342,862</b>	<b>847,428</b>	<b>(874,735)</b>	<b>23,878,759</b>
<b>Change in net assets</b>	<b>484,403</b>	<b>69,373</b>	<b>(117,806)</b>	<b>4,875,852</b>	<b>34,922</b>	<b>-</b>	<b>5,346,744</b>
Net assets, beginning of year	22,260,692	7,541,945	6,612,472	8,520,890	(1,437,319)	(12,879,123)	30,619,557
Net assets, end of year	<u>\$ 22,745,095</u>	<u>\$ 7,611,318</u>	<u>\$ 6,494,666</u>	<u>\$ 13,396,742</u>	<u>\$ (1,402,397)</u>	<u>\$ (12,879,123)</u>	<u>\$ 35,966,301</u>

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT  
AUDITING STANDARDS**

To the Board of Directors  
Catholic Charities and Affiliates  
Portland, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Catholic Charities (a nonprofit organization) and affiliates, which comprise the consolidated statement of financial position as of June 30, 2022, 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, and have issued our report thereon dated January 31, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered Catholic Charities and affiliates' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Catholic Charities and affiliates' internal control. Accordingly, we do not express an opinion on the effectiveness of Catholic Charities and affiliates' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Catholic Charities and affiliates' consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

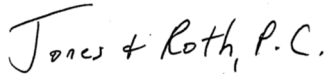
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Catholic Charities and affiliates' consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Catholic Charities and affiliates' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Catholic Charities and affiliates' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Jones & Roth, P.C.  
Eugene, Oregon  
January 31, 2023