CATHOLIC CHARITIES AND AFFILIATES

Independent Auditors' Report
Consolidated Financial Statements
and Supplemental Information
For the Year Ended June 30, 2023

KERNUTTSTOKES

CATHOLIC CHARITIES AND AFFILIATES

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KERNUTTSTOKES

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Catholic Charities and Affiliates

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, 2023, 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.

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, 2023, 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 Auditors' 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.

Auditors' 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 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 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.

Supplemental 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 December 21, 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.

Kernutt Stokes LLP

Eugene, Oregon
December 21, 2023

CATHOLIC CHARITIES AND AFFILIATES
Consolidated Statement of Financial Position
June 30, 2023

ASSETS		
CURRENT ASSETS:		
Cash, unrestricted	$	1,902,177
Cash, restricted		3,384,045
Accounts receivable, net		2,211,544
Pledges receivable, net		728,000
Prepaid expenses		454,472
Tenant security deposits		191,219
Other current assets		405
Total current assets		8,871,862
PROPERTY AND EQUIPMENT, net:		38,950,023
OTHER ASSETS:		
Deposits and prepayments		129,016
Pledges receivable, net of current portion		811,200
Notes and interest receivable from related parties		7,676,781
Related party accounts receivable		1,508,546
Board designated investments		3,319,555
Interests in trusts		424,020
Interests in limited partnerships		5,244,002
Developer fee receivable		1,454,537
Other non-current assets		541,728
Total other assets		21,109,385
Total	$	68,931,270

(Continued)

See accompanying notes.

CATHOLIC CHARITIES AND AFFILIATES
Consolidated Statement of Financial Position (Continued)
June 30, 2023

LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$	1,307,444
Accrued payroll and related liabilities		662,234
Other accrued liabilities		432,978
Deferred revenue		410,377
Refundable advances		274,860
Line of credit		1,900,000
Current portion of long-term debt		1,927,478
Total current liabilities		6,915,371
LONG-TERM LIABILITIES:		
Interest payable		849,980
Long-term debt, net of current portion and unamortized debt issuance costs		26,342,023
Total long-term liabilities		27,192,003
Total liabilities		34,107,374
NET ASSETS:		
Without donor restrictions, designated by the Board for reserves		3,319,555
Without donor restrictions, undesignated		18,011,225
Total net assets without donor restrictions		21,330,780
With donor restrictions		13,493,116
Total net assets		34,823,896
Total	$	68,931,270

See accompanying notes.

CATHOLIC CHARITIES AND AFFILIATES
Consolidated Statement of Activities
For the Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT:			
Grants	$ 5,158,102	$ 1,772,609	$ 6,930,711
Contracts	5,324,409	-	5,324,409
Contributions and gifts	3,689,093	327,236	4,016,329
Rental income	4,592,786	-	4,592,786
Investment income	741,157	-	741,157
Service fees and other	2,412,235	-	2,412,235
Net assets released from restrictions	5,319,553	(5,319,553)	-
Total revenue and support	27,237,335	(3,219,708)	24,017,627
EXPENSES:			
Program services:			
Economic and financial services	5,040,967	-	5,040,967
Homeless services	1,962,531	-	1,962,531
Community services	990,057	-	990,057
Caritas housing services	7,099,250	-	7,099,250
Migrant services	4,820,194	-	4,820,194
Total program services	19,912,999	-	19,912,999
Supporting services:			
General and administrative	3,811,531	-	3,811,531
Fundraising	1,435,502	-	1,435,502
Total supporting services	5,247,033	-	5,247,033
Total expenses	25,160,032	-	25,160,032
CHANGE IN NET ASSETS	2,077,303	(3,219,708)	(1,142,405)
NET ASSETS, beginning of year	19,253,477	16,712,824	35,966,301
NET ASSETS, end of year	$ 21,330,780	$ 13,493,116	$ 34,823,896

See accompanying notes.

CATHOLIC CHARITIES AND AFFILIATES
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2023

	Program Services						Support Services		
	Economic and Financial Services	Homeless Services	Community Services	Caritas Housing	Migrant Services	Total Program Services	Fundraising	General and Administrative	Total
Salaries and wages	$ 1,650,810	$ 967,289	$ 491,041	$ 352,827	$ 1,913,377	$ 5,375,344	$ 631,381	$ 2,407,512	$ 8,414,237
Payroll taxes and fringe benefits	459,860	348,351	132,068	83,039	643,776	1,667,094	188,755	620,013	2,475,862
Independent contractors	1,021,570	15,823	34,965	1,898	107,638	1,181,894	56,565	66,313	1,304,772
Occupancy	63,455	134,199	77,403	3,637,859	358,509	4,271,425	49,110	37,113	4,357,648
Telephone and internet	9,577	16,101	6,417	3,410	30,049	65,554	7,206	23,225	95,985
Equipment and equipment maintenance	63,032	78,380	102,875	16,858	138,102	399,247	64,427	107,766	571,440
Supplies and postage	7,681	16,128	72,719	2,560	22,677	121,765	4,661	13,011	139,437
Printing and publications	5,532	10,977	3,418	1,974	23,309	45,210	12,955	13,291	71,456
Parking and mileage	23,146	9,368	1,700	1,416	33,780	69,410	1,282	1,010	71,702
Conferences and staff development	23,291	9,190	4,040	1,777	5,584	43,882	2,663	34,038	80,583
Meals and refreshments	1,670	6,697	488	130	1,761	10,746	8,470	7,011	26,227
Volunteer recognition	111	2,272	1,837	1,374	1,670	7,264	1,206	9,459	17,929
Dues and other expenses	1,395	3,573	329	7,864	12,291	25,452	50,450	63,676	139,578
Sponsorships, advertising and marketing	539	17,562	5,800	-	-	23,901	186,352	-	210,253
Event expenses	436	575	-	-	186	1,197	155,643	100	156,940
Payments to affiliated organizations	-	-	-	141,523	-	141,523	-	126,175	267,698
Client assistance	1,689,545	272,376	35,550	30	1,453,323	3,450,824	-	-	3,450,824
Interest expense	-	-	-	872,154	-	872,154	-	121,237	993,391
Depreciation and amortization	19,317	53,670	19,407	1,972,557	74,162	2,139,113	14,376	51,956	2,205,445
Accounting and auditing expense	-	-	-	-	-	-	-	108,625	108,625
Total expenses	$ 5,040,967	$ 1,962,531	$ 990,057	$ 7,099,250	$ 4,820,194	$ 19,912,999	$ 1,435,502	$ 3,811,531	$ 25,160,032

See accompanying notes.

CATHOLIC CHARITIES AND AFFILIATES

Consolidated Statement of Cash Flows

Change in Cash and Cash Equivalents
Year Ended June 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$	(1,142,405)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation and amortization		2,205,445
Unrealized gain on investments		170,063
Income from investment trusts		(12,063)
Loss on sale of property		94,887
Increase (decrease) in cash caused by certain working capital items:		
Pledge receivable		64,600
Accounts receivable		952,442
Other receivables and non current assets		(1,274,444)
Prepaid expenses and deposits		196,315
Accounts payable and other accrued liabilities		508,114
Accrued payroll and related items		(250,271)
Deferred revenue and refundable advances		340,215
Accrued interest payable		30,020
Net cash provided by operating activities		1,882,918
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sales of investments in securities		1,391,703
Purchase of investments in securities		(1,785,600)
Purchases of investments in partnerships		(231,642)
Proceeds from notes and interest receivable from related parties		(1,225,917)
Acquisition of property and equipment		(101,310)
Proceeds of from sales of property and equipment		267,331
Net cash used in investing activities		(1,685,435)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance notes payable		1,245,919
Principal payments on notes payable		(906,012)
Net cash provided by financing activities		339,907
NET CHANGE IN CASH AND RESTRICTED CASH		537,390
CASH AND RESTRICTED CASH, beginning of year		4,748,832
CASH AND RESTRICTED CASH, end of year	$	5,286,222

During 2023, the Organization acquired a portion of a building for $512,159 through issuance of long-term debt.

See accompanying notes.

1. Organization and Summary of Significant Accounting Policies

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, Oregon (Archdiocese) as its Chair (all together making up Catholic Charities and Affiliates). A Board of Directors establishes policies and sets the overall direction of Catholic Charities and Affiliates (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.

Basis of Accounting. The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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

(Continued)

1. Organization and Summary of 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, and 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.

Property. 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. Financial statement presentation follows the requirements of the Financial Accounting Standards Board in that the Organization reports its information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor 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.

(Continued)

1. Organization and Summary of 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 statement 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, at time of acquisition, are deemed to be cash equivalents.

Concentration of Credit Risk. At times, cash may exceed amounts insured by the Federal Deposit Insurance Corporation. The Organization 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 Party. 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. The allowance for the year ended June 30, 2023 was $570,794. 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.

(Continued)

1. Organization and Summary of Significant Accounting Policies (Continued)

Investments. Investments are recorded at fair value based on market prices, as defined in Note 3.

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, 2023, 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 granter 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 granter.

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. 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.

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

(Continued)

1. Organization and Summary of Significant Accounting Policies (Continued)

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' 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, net, investments, pledges receivable, net, 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 the carrying value of financial instruments has been determined taking applicable interest rate risk or credit risk into account. Unless otherwise noted, the fair values of these financial instruments approximate their carrying values. Long-term debt is subject to interest rate risk which Catholic Charities attempts to mitigate through the use of interest-rate swap contracts (see discussion of derivatives later in this Note 1).

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

(Continued)

1. Organization and Summary of Significant Accounting Policies (Continued)

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. Donated services, materials and equipment are recognized at their respective fair values at the time of donation. During the year ended June 30, 2023 donated services were $0.

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.

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. Development costs are capitalized and included in property and equipment in the Organization's consolidated statement of financial position. Development costs were $91,175 for the year ended June 30, 2023.

Federal Income Taxes. The Organization and its Affiliates are exempt from federal income taxes as an entity described in Section 501(c)(3) of the Internal Revenue Code. As a result, there is no provision for federal income taxes in these financial statements and no federal income taxes were paid. Management believes that the Organization has adequately addressed all relevant tax positions and there are no unrecorded tax liabilities. Generally, the Organization's tax returns remain open for three years for federal and state income tax examination.

Functional Allocation of Expenses. The Organization allocates its expenses on a functional basis among its program and support services. Expenses that can be identified with a specific program or support service are allocated directly to that program or support service according to their natural expenditure classification. Other expenses that are common to several functions are allocated among the programs and support services benefited.

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 10 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.

(Continued)

1. Organization and Summary of Significant Accounting Policies (Continued)

Interest Rate Swap. Catholic Charities recognizes its interest rate swap on the consolidated statement of financial position as a non-current asset or liability at fair value with changes in fair value reported in the consolidated statement of activities. Interest rate swaps are utilized by Catholic Charities to reduce interest rate risk. For purposes of the consolidated statement of cash flows, cash flows from the derivative instrument is classified in the same category as cash flow from the item being hedged. Catholic Charities does not hold or issue derivative financial instruments for trading purposes.

Newly Issued Accounting Pronouncements. The FASB issued ASU 2016-13, Measurement of Credit Losses on Financial Instruments. The standard requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. In addition, the standard amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. The standard will be effective for the year ending June 30, 2024. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Recently Adopted Accounting Standards. In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Leases. This standard and its related amendments require all leases with terms over 12 months to be capitalized as a lease liability and corresponding right of use (ROU) asset on the consolidated statement of financial position at the date of lease commencement. The Standard supersedes all previous lease accounting guidance. On July 1, 2022, there were no leases in effect that were significant enough to require transitioning to the new standard, and as a result, the standard had an immaterial effect on the consolidated financial statements.

Subsequent Events. Management evaluates events occurring subsequent to the date of the financial statement in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through December 21, 2023, which is the date the financial statements were available to be issued.

2. Program and Support Services

The following is descriptions of each of the organization's programs and support services:

Economic and Financial Services. 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.

(Continued)

2. Program and Support Services (Continued)

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.

Caritas Housing Services. 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 1,000 units of affordable housing.

Migrant Services. Assist in the relocation of refugees into the State of Oregon from refugee camps in foreign lands. The program provides support in housing, employment, education in inculturation to the United Sates, attentive case management, and expert legal assistance.

Community Services. On-site resident service coordinators to provide for all needs including intensive case management services, parenting education, health relationship classes, and healthcare access.

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.

3. Board Designated Investments

As of June 30, 2023, the composition of investments designated by the board for operating reserves was as follows:

Bond fund	$ 2,315,140
Common stock fund	829,806
Real estate securities	174,609
Total board designated investments	$ 3,319,555

As of June 30, 2023, 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.

(Continued)

3. Board Designated Investments (Continued)

Registered investment companies are stated at fair value. GAAP defines fair value 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 and establishes a framework for measuring fair value.

The fair value framework requires the categorization of assets and liabilities into three levels based upon the ability to observe the inputs used to value the assets and liabilities. The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Level One provides the most reliable and observable measure of fair value, whereas Level Three generally requires significant judgment.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

- Level One - Unadjusted, quoted prices in active markets for identical assets and liabilities.

- Level Two - Observable inputs, other than those included in Level One. For example, quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets.

- Level Three - Unobservable inputs reflecting assumptions about the inputs used in pricing the asset or liability.

The fair valuation methodology used by the Organization may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial investments could result in a different fair value measurement at the reporting date.

4. Accounts Receivable, net

As of June 30, 2023, accounts receivable, net consisted of the following:

State of Oregon	$	410,223
Chiles Foundation		333,333
Catholic Charities USA		324,171
Tenants		213,860
U.S Catholic Conference		283,776
The United States Department of Justice		141,474
Other		138,560
NCOA		90,000
CareOregon		73,000
Multnomah County		56,495
Joint Offices of Homeless Services		44,646
Oregon Law Foundation		39,375
Oregon State Bar		38,220
Oregon Health Authority		30,533
Home Forward		27,131
		2,244,797
Allowance for doubtful accounts		(33,253)
Total accounts receivable, net		2,211,544
Related parties (long term) See Note 15		1,508,546
Total	$	3,720,090

As of June 30, 2023, accounts receivable related to exchange transactions totaled $761,711. As of July 01, 2022 accounts receivable related to exchange transactions totaled $2,074,768.

5. 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. Restricted cash was $3,384,045 for the year ended June 30, 2023.

6. Notes and Interest Receivable from Related Party

As of June 30, 2023, notes and interest receivable from related parties consisted of the following:

Notes 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.	$ 1,642,760
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.	150,000
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.	631,192
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.	1,441,859
Note receivable from Good Shepherd, LP includes interest at 1.92% per annum. Payment of principal and 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.	2,766,817
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 June 17, 2061 or, upon sale or refinance.	683,969

(Continued)

6. Notes and Interest Receivable from Related Party (Continued)

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 due July 1, 2046.	$	272,455
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.		87,729
Total notes and interest receivable from related parties	$	7,676,781

7. Interests in Limited Partnerships

As of June 30, 2023, 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		3,437,854
Francis & Clare Place LP		1,225,917
Total interests in limited partnerships	$	5,244,002

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.

8. Interests in Charitable Reminder Trusts and Perpetual Trusts

As of June 30, 2023, interests in trusts consisted of the following:

Interests in charitable reminder trusts:		
Balance at beginning of year	$	84,278
Change in value		3,895
Balance at end of year		88,173
Interests in perpetual trusts:		
Balance at beginning of year		330,238
Change in value		5,609
Balance at end of year		335,847
Total interests in trusts	$	424,020

9. Property and Equipment, net

As of June 30, 2023, property and equipment, net consisted of the following:

Land	$	6,052,020
Land improvements		1,049,646
Building and improvements		56,191,054
Equipment		2,396,959
Construction in progress		172,561
		65,862,240
Accumulated depreciation and amortization		(26,912,217)
Property and equipment, net	$	38,950,023

10. Long-term Debt

As of June 30, 2023, long-term debt consisted of the following:

Note payable to Clackamas County Community Development Division 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
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.		577,396
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.		998,901
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.		287,782
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.		219,744
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

(Continued)

10. Long-term Debt (Continued)

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.	$	1,940,173
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.		1,441,229
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.		222,886

(Continued)

10. Long-term Debt (Continued)

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.	$	106,039
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.		1,399,227
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 Umpqua Bank accrues interest at 3.23%. The note is secured by a trust deed in Clark Family Center. Monthly interest payments in the amount of $15,345 through October 2041. The note allows for interest rate resets in October 2026 and 2036.		2,548,551
Note payable to Umpqua Bank with a variable rate based on SOFR 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.		2,939,600

(Continued)

10. Long-term Debt (Continued)

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 project during the first 20 years of the project's operation, the lower interest rate of 3.24% will remain in effect. The note is secured by a trust deed in Kateri Park. Monthly payments of principal and interest of $9,932 began August 2008 and continue through April 2036.	$ 1,250,004
Note payable to PHB matures March 1, 2046. Terms require payments of one-half of excess cash flow, as defined in the note, and 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. 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% 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.	2,833,946
Note payable to Clackamas County Community Development Division. 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

(Continued)

10. Long-term Debt (Continued)

Note payable to Beneficial State Bank in the amount of $3,886,000 maturing February 17, 2053. Terms as renegotiated on July 10, 2023, require 60 monthly principal and interest payments of $22,971 beginning July 17, 2023 with interest fixed at 5.75%; 296 monthly principal and interest payments of $23,393 beginning July 17, 2028 with interest based on the Five Year Treasury Constant Maturity rate plus a margin of 1.75%; and one final payment due on February 17, 2053 for remaining unpaid principal and interest. The note is secured by the Clark Center Annex property.	$ 3,886,000
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
Note Payable to Enterprise Community Investment, Inc. accrues interest at 6.50%. The note was paid in full as of September 2023.	1,223,700
	28,634,350
Unamortized debt insurance costs	(364,849)
Current portion	(1,927,478)
Long-term debt, net of current portion and amortized debt issuance costs	$ 26,342,023

(Continued)

10. Long-term Debt (Continued)

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

Year ending June 30,		
2024	$	1,927,478
2025		727,852
2026		751,299
2027		776,804
2028		802,870
Thereafter		23,648,047
Total	$	28,634,350

As a result of the variable interest rate associated with the note issued by Umpqua 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 Umpqua 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. The fair value of the swap is based on valuations obtained from the financial institution with which the Company has the interest rate swap agreements. See fair value disclosures in Note 3. As of June 30, 2023, the asset and corresponding effect on the statement of financial position due to the interest rate swap were immaterial to the consolidated financial statements.

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 comply with debt service coverage ratio and minimum liquidity. 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, 2023. All such violations have been waived by the respective lenders for the year ended June 30, 2023.

11. Liquidity and Availability of Financial Assets

The following reflects Catholic Charities' financial assets as of June 30, 2023, 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	$ 1,902,177
Accounts receivable	2,211,544
Pledges receivable	1,539,200
Board designated investments	3,319,555
Total financial assets	8,972,476
Less amount not available to be used within one year:	
Net assets with donor restrictions	(1,477,541)
Designated funds established by the board	(3,319,555)
Financial assets available to meet general expenditures over the next twelve months	$ 4,175,380

12. Net Assets with Donor Restrictions

As of June 30, 2023, net assets with donor restrictions were available for the following purposes:

Interest in charitable remainder trust	$ 88,173
For use in future periods	1,477,541
Interest in perpetual trust	335,848
Haven House (Caritas Housing Initiatives, LLC)	274,990
Howard House (Caritas Housing Initiatives, LLC)	1,662,838
Renaissance Court, Inc. (Caritas Community Housing Corporation)	2,602,630
Sandy Vista (Caritas Community Housing Corporation)	2,926,880
Cedar Park Gardens (Caritas Community Housing Corporation)	425,000
Rain Garden (Caritas Community Housing Corporation)	832,482
Rogue River Affordable Housing (Caritas Housing Initiatives, LLC and Caritas Community Housing Corporation)	1,518,417
Good Shepherd Village (Catholic Charities)	1,348,317
Total net assets with donor restriction	$ 13,493,116

13. Commitments

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:

- 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);
- Fund developer fee advances, if necessary, as defined in the Agreement;
- Credit adjuster guaranty, if necessary, as described in the Agreement;
- Guaranty of obligation to purchase interest of the limited partner if certain conditions are met as described in the Agreement;
- Ensure completion of other covenants and conditions agreed to by the general partner as defined in the Agreement.

(Continued)

13. Commitments (Continued)

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:

- 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;

- Credit adjuster guaranty, if necessary, as described in the Rain Garden, LP partnership agreement;

- Obligation to purchase interest of the limited partner if certain conditions are met as described in the partnership agreement.

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

- Guaranty of obligation of payment and prompt performance related to the U.S. Bank loan;

- Guaranty that 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:

- The project has operated at breakeven for at least 3 consecutive years following the stabilization date;

(Continued)

13. Commitments (Continued)

- 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:

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

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 regard to the operations of Good Shepherd, LP:

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

(Continued)

13. Commitments (Continued)

Guaranty Agreement - Francis + Clare Place, LP. Catholic Charities entered into a guaranty agreement (the Agreement) as of June 20, 2023, with Francis + Clare Place, LP. Catholic Charities has guaranteed the following in regard to the operations of Francis + Clare Place, LP:

- Completion of development in process;
- Guaranty of operation deficit shortfall coverage as defined in the Agreement;
- Credit adjuster guaranty, if necessary, as described in the Agreement;
- Ensure completion of other covenants and conditions agreed to by the general partner as defined in the Agreement;
- Guaranty of obligation to purchase interest of the limited partner if certain conditions are met as described in the Agreement.

14. 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.

15. Related Party Transactions

During the year ended June 30, 2023, 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

(Continued)

15. 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
- Francis + Clare Place, LP a limited partnership .01 percent owned by Francis + Clare Place 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

Accounts receivable:		
Esperanza Court, LP	$	188,199
GMV Apartments, LP		132,653
Molalla Gardens, LP		156,389
St. Frances Park, LP		30,300
Rain Garden, LP		22,176
Good Shepherd, LP		3,904
Cathedral Village, LP		195,532
Rogue River Affordable Housing, LLC		779,393
	$	1,508,546
Notes and interest receivable from related parties (Note 6)	$	7,676,781

(Continued)

15. Related Party Transactions (Continued)

Statement of Activities

Interest income:		
Molalla Gardens, LP	$	19,621
Rogue River Affordable Housing, LLC		33,099
Esperanza Court, LP		7,965
Rain Garden, LP		84,815
Good Shepherd, LP		52,133
GMV Apartments, LP		50,664
El Programa Hispano Catolico		3,057
	$	251,354
Resident services and asset management fees:		
GMV Apartments, LP	$	29,547
Molalla Gardens, LP		48,756
St. Francis Park, LP		30,900
	$	109,203

16. Line of Credit

Catholic Charities has a $2,550,000 line of credit with U.S. Bank. The line of credit carries a variable interest rate and had an effective rate of 7.25% as of June 30, 2023. The line of credit is secured by investments held at U.S. Bank and matures July 31, 2024. As of June 30, 2023, the total amount outstanding on the line of credit was $1,900,000.

17. 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, 2023, Catholic Charities contributed $172,869 to the defined contribution plan. The plan offers a tiered matching component based on employees' years of service with the agency.

18. Concentrations

Approximately 3% percent of Catholic Charities' revenue was received from one granter for the year ended June 30, 2023.

SUPPLEMENTAL INFORMATION

CATHOLIC CHARITIES AND AFFILIATES
Consolidating Schedule of Financial Position
June 30, 2023

	Catholic Charities	Clark Family Center	Caritas Housing Initiatives	Caritas Community Housing Corporation	Caritas Plaza & Caritas Villa	Eliminations	Total
ASSETS							
CURRENT ASSETS:							
Cash, unrestricted	$ 1,307,605	$ 100,603	$ 274,387	$ 23,302	$ 196,280	$ -	$ 1,902,177
Cash, restricted	13,960	-	2,020,675	797,951	551,459	-	3,384,045
Account receivable, net	2,005,577	-	89,044	477,145	67,042	(427,264)	2,211,544
Pledges receivable, net	728,000	-	-	-	-	-	728,000
Intercompany receivable	6,403,509	2,553,474	337,133	-	33,513	(9,327,629)	-
Prepaid expenses	219,201	43,898	99,724	66,650	24,999	-	454,472
Tenant security deposits	-	-	145,648	31,924	13,647	-	191,219
Other current assets	-	-	-	405	-	-	405
Total current assets	10,677,852	2,697,975	2,966,611	1,397,377	886,940	(9,754,893)	8,871,862
PROPERTY AND EQUIPMENT, net	2,157,845	9,891,170	18,383,952	8,070,347	1,034,845	(588,136)	38,950,023
OTHER ASSETS:							
Deposits and prepayments	129,016	-	-	-	-	-	129,016
Pledges receivable, net of current portion	811,200	-	-	-	-	-	811,200
Notes and interest receivable from related parties	87,729	-	2,476,729	5,112,323	-	-	7,676,781
Related party accounts receivable	603,474	-	905,072	-	-	-	1,508,546
Board designated investments	3,319,555	-	-	-	-	-	3,319,555
Interests in trusts	424,020	-	-	-	-	-	424,020
Interests in limited partnerships	9,109,029	-	2,011,999	6,413,962	-	(12,290,988)	5,244,002
Developer fee receivable	-	-	1,454,537	-	-	-	1,454,537
Other non-current assets	-	425,735	115,493	500	-	-	541,728
Total other assets	14,484,023	425,735	6,963,830	11,526,785	-	(12,290,988)	21,109,385
Total	$ 27,319,720	$ 13,014,880	$ 28,314,393	$ 20,994,509	$ 1,921,785	$ (22,634,017)	$ 68,931,270
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES:							
Accounts payable	$ 583,983	$ 1,390	$ 512,400	$ 192,251	$ 24,684	$ (7,264)	$ 1,307,444
Intercompany payable	1,949,409	-	3,313,832	4,030,875	33,513	(9,327,629)	-
Accrued payroll and related liabilities	662,234	-	-	-	-	-	662,234
Other accrued liabilities	81,600	-	228,862	44,724	77,792	-	432,978
Deferred revenue	401,350	-	6,964	2,063	-	-	410,377
Refundable advances	274,860	-	-	-	-	-	274,860
Line of credit	1,900,000	-	-	-	-	-	1,900,000
Current portion of long-term debt	-	195,829	1,504,700	166,387	60,562	-	1,927,478
Total current liabilities	5,853,436	197,219	5,566,758	4,436,300	196,551	(9,334,893)	6,915,371
LONG-TERM LIABILITIES:							
Interest payable	-	-	607,531	231,185	11,264	-	849,980
Long-term debt, net of current portion and unamortized debt issuance costs	250,000	5,264,321	14,863,189	3,242,436	3,142,077	(420,000)	26,342,023
Total long-term liabilities	250,000	5,264,321	15,470,720	3,473,621	3,153,341	(420,000)	27,192,003
Total liabilities	6,103,436	5,461,540	21,037,478	7,909,921	3,349,892	(9,754,893)	34,107,374
NET ASSETS:							
Without donor restrictions, designated by the Board for reserves	3,319,555	-	-	-	-	-	3,319,555
Without donor restrictions, undesignated	14,646,850	7,553,340	4,092,670	6,025,596	(1,428,107)	(12,879,124)	18,011,225
Total net assets without donor restrictions	17,966,405	7,553,340	4,092,670	6,025,596	(1,428,107)	(12,879,124)	21,330,780
With donor restrictions	3,249,879	-	3,184,245	7,058,992	-	-	13,493,116
Total net assets	21,216,284	7,553,340	7,276,915	13,084,588	(1,428,107)	(12,879,124)	34,823,896
Total	$ 27,319,720	$ 13,014,880	$ 28,314,393	$ 20,994,509	$ 1,921,785	$ (22,634,017)	$ 68,931,270

CATHOLIC CHARITIES AND AFFILIATES
Consolidating Schedule of Activities
For the Year Ended June 30, 2023

	Catholic Charities	Clark Family Center	Caritas Housing Initiatives	Caritas Community Housing Corporation	Caritas Plaza & Caritas Villa	Eliminations	Total
REVENUE AND SUPPORT:							
Grants	$ 6,657,886	$ -	$ 345,532	$ 60,000	$ 77,825	$ (210,532)	$ 6,930,711
Contracts	5,324,409	-	-	-	-	-	5,324,409
Contributions and gifts	4,016,329	-	-	-	-	-	4,016,329
Rental income	84,791	479,904	2,778,096	913,991	810,938	(474,934)	4,592,786
Investment income (loss)	360,067	113,270	92,947	173,559	1,314	-	741,157
Service fees and other	1,071,699	461	1,695,363	1,065	-	(356,353)	2,412,235
Total revenue and other support	17,515,181	593,635	4,911,938	1,148,615	890,077	(1,041,819)	24,017,627
EXPENSES:							
Program services:							
Caritas housing services	1,259,643	621,637	4,089,332	1,249,271	869,376	(990,009)	7,099,250
Economic and financial services	5,040,967	-	-	-	-	-	5,040,967
Migrant services	4,820,194	-	-	-	-	-	4,820,194
Homeless services	1,962,531	-	-	-	-	-	1,962,531
Community services	990,057	-	-	-	-	-	990,057
Total program services	14,073,392	621,637	4,089,332	1,249,271	869,376	(990,009)	19,912,999
Supporting services:							
General and administrative	3,535,099	29,976	40,357	211,498	46,411	(51,810)	3,811,531
Fundraising	1,435,502	-	-	-	-	-	1,435,502
Total supporting services	4,970,601	29,976	40,357	211,498	46,411	(51,810)	5,247,033
Total expenses	19,043,993	651,613	4,129,689	1,460,769	915,787	(1,041,819)	25,160,032
CHANGE IN NET ASSETS	(1,528,812)	(57,978)	782,249	(312,154)	(25,710)	-	(1,142,405)
Net assets, beginning of year	22,745,095	7,611,318	6,494,666	13,396,742	(1,402,397)	(12,879,123)	35,966,301
Net assets, end of year	$ 21,216,283	$ 7,553,340	$ 7,276,915	$ 13,084,588	$ (1,428,107)	$ (12,879,123)	$ 34,823,896

KERNUTTSTOKES

INDEPENDENT AUDITORS' 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

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, 2023, 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 December 21, 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.

Kernutt Stokes LLP

Eugene, Oregon
December 21, 2023