

Financial Statements and Report of
Independent Certified Public
Accountants

**Catholic Community Services of the
Archdiocese of Philadelphia**

June 30, 2020 and 2019

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Catholic Community Services of the Archdiocese of Philadelphia

We have audited the accompanying financial statements of Catholic Community Services of the Archdiocese of Philadelphia, which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Catholic Community Services of the Archdiocese of Philadelphia as of June 30, 2020 and 2019, and the results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other matter*Supplementary information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of revenue and operating expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.



Philadelphia, Pennsylvania
January 5, 2021

Catholic Community Services of the Archdiocese of Philadelphia

STATEMENTS OF FINANCIAL POSITION

June 30,

	<u>2020</u>	<u>2019</u>
ASSETS		
Accounts receivable - DHS, less allowance of \$32,000 for 2020 and 2019	\$ 1,762,720	\$ 1,193,427
Prepaid expenses and other assets	<u>234,471</u>	<u>147,369</u>
Total assets	<u><u>\$ 1,997,191</u></u>	<u><u>\$ 1,340,796</u></u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 145,928	\$ 90,889
Salaries and wages payable	283,108	249,986
Due to Catholic Social Services	<u>1,550,849</u>	<u>991,299</u>
Total liabilities	1,979,885	1,332,174
Net assets	<u>17,306</u>	<u>8,622</u>
Total liabilities and net assets	<u><u>\$ 1,997,191</u></u>	<u><u>\$ 1,340,796</u></u>

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

Catholic Community Services of the Archdiocese of Philadelphia

STATEMENTS OF ACTIVITIES

Years ended June 30,

	2020	2019
Operating revenue		
Governmental revenue	\$ 6,395,452	\$ 6,572,649
Total operating revenue	<u>6,395,452</u>	<u>6,572,649</u>
Operating expenses		
Salaries, wages and other payroll costs	5,141,423	5,408,129
Administrative and general	916,147	1,082,981
Occupancy	279,223	219,117
Direct expenses of care	<u>63,125</u>	<u>26,858</u>
Total operating expenses	<u>6,399,918</u>	<u>6,737,085</u>
Deficiency in operating revenue under operating expenses	<u>(4,466)</u>	<u>(164,436)</u>
Other revenue		
Catholic Charities Appeal	11,000	111,000
Donations	<u>2,150</u>	<u>53,500</u>
Total other revenue	<u>13,150</u>	<u>164,500</u>
Change in net assets	8,684	64
Net assets		
Beginning of year	<u>8,622</u>	<u>8,558</u>
End of year	<u><u>\$ 17,306</u></u>	<u><u>\$ 8,622</u></u>

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

Catholic Community Services of the Archdiocese of Philadelphia

STATEMENTS OF CASH FLOWS

Years ended June 30,

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ 8,684	\$ 64
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Changes in operating assets and liabilities		
Accounts receivable - DHS	(569,293)	2,434,967
Prepaid expense	(87,102)	47,887
Accounts payable and accrued expenses	55,039	2,326
Salaries and wages payable	33,122	(80,857)
Due to Catholic Social Services	559,550	(2,404,387)
	<u>-</u>	<u>-</u>
Net cash provided by operating activities	<u>-</u>	<u>-</u>
Cash		
Beginning of year	<u>-</u>	<u>-</u>
End of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

Catholic Community Services of the Archdiocese of Philadelphia

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE A - ORGANIZATION

Catholic Community Services of the Archdiocese of Philadelphia (the "Organization") is a community-based agency that is responsible for the provision of direct case management services to children and families in a designated region of North Philadelphia.

The accompanying financial statements include programs operated and administered by the Organization.

Catholic Charities of the Archdiocese of Philadelphia, operating as Catholic Social Services of the Archdiocese of Philadelphia ("CSS") established in 1919, is a multi-faceted social services organization whose departments offer a wide range of services to meet the needs of children, adults and families including adoption and foster care programs. CSS functions as a self-contained entity and maintains separate financial statements for each of its operations. The Organization is one of the entities operating under CSS.

The Archdiocese of Philadelphia (the "Archdiocese") was proclaimed a Catholic diocese in 1808 and raised to an Archdiocese in 1875. The Archdiocese oversees the activities of the Roman Catholic Church (the "Church") for the five counties of Philadelphia, Bucks, Chester, Delaware and Montgomery in the southeastern part of the Commonwealth of Pennsylvania and is operated in accordance with the provisions of the 1983 Code of Canon Law, as amended, of the Church. The Organization, which is related, is operated separately and distinctly from the Archdiocese.

Catholic Charities Appeal, a separate legal corporation and a related organization, raises money for certain organizations within the Archdiocese, including the Organization.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis in conformity with accounting principles generally accepted in the United States of America ("US GAAP"). The Organization presents its financial statements in accordance with the guidance set forth by the Financial Accounting Standards Board ("FASB") in regard to *Financial Statements of Not-for-Profit Organizations*. Accordingly, the Organization's net assets and its revenues and expenses are classified into two categories, based on the existence or absence of donor-imposed restrictions.

- Net assets without donor restrictions are not subject to donor-imposed restrictions and may be designated for specific purposes by action of the Board of Directors.
- Net assets with donor restrictions include contributions, including pledges, trusts, remainder interests, income and appreciation which can be expended but for which restrictions have not yet been met, or which are required by donors to be perpetually retained. Such restrictions include purpose restrictions where donors have specified the purpose for which the net assets are to be spent, or time restrictions imposed by donors or implied by the nature of the gift.

The Organization has no net assets, revenues or expenses classified as with donor restrictions as of June 30, 2020 and 2019.

Catholic Community Services of the Archdiocese of Philadelphia

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant management estimates and assumptions are related to the allowance for doubtful accounts. Actual results could differ from those estimates.

Governmental Revenue

The Organization receives its funding through a contract with the Philadelphia Department of Human Services ("DHS"). The ultimate determination of amounts reimbursable under cost reimbursement contracts/agreements is based upon this contract. The Organization expects all expenses incurred will be reimbursed.

The Organization is subject to numerous laws and regulations of federal, state and local governments. Compliance with these laws and regulations can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Government activity in the health care industry has increased with respect to investigations and allegations concerning possible violations of regulations by health care providers, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues of client services. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Management believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing.

Allowance for Doubtful Accounts

The Organization continually monitors accounts receivable for collectability issues. The allowance is based upon management's judgment and is determined by considering a number of factors, including the length of time accounts receivable are past due, the Organization's previous loss history, the nature of the service provided and other pertinent factors. The Organization writes off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts.

Allocated Expenses - Archdiocese of Philadelphia - Catholic Social Services

CSS provides administrative and accounting services for institutions and group homes, including the Organization. The total expenses incurred by CSS in providing services are accumulated and allocated on a pro rata basis to the institutions and group homes. The allocated amount is reported as an administrative and general expense in the statements of activities. Any difference between the allocation and the amount charged to the institutions and group homes during the year is considered a contribution of services from CSS.

Catholic Community Services of the Archdiocese of Philadelphia

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

Risks and Uncertainties

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been declared a pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce, and financial markets globally. The Organization has been and continues to closely monitor the COVID-19 pandemic and its impact on the entity. Though the full impact of COVID-19 and the scope of any impact on the Organization's operations and financial condition cannot yet be determined, potential adverse consequences to the Organization from COVID-19 may include a decline in revenues and contributions, as well as a decrease in interest and investment income from the Organization's investment assets.

Liquidity and Availability of Resources

Financial assets available for general expenditure, all of which are classified as net assets without donor restrictions, within one year of the balance sheet date consist of the following:

	June 30,	
	2020	2019
Accounts receivable	\$ 1,762,720	\$ 1,193,427
Assets available to management	1,762,720	1,193,427
Liabilities to be settled within one year		
Accounts payable and accrued expenses	(145,928)	(90,889)
Salaries and wages payable	(283,108)	(249,986)
Due to CSS	(1,550,849)	(991,299)
Assets available to management less liabilities to be settled within one year	\$ (217,165)	\$ (138,747)

CSS provides cash management services for the various excluded entities discussed in Note B, which includes the receipt of program revenues and payments of operating expenses. The cash activity is recorded through Due to Catholic Social Services, which is settled periodically.

Pending Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*, and subsequent amendments, to improve financial reporting by creating common revenue recognition guidance. The core principle of this guidance is that an entity should recognize revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for these goods and services at the date the performance obligation has occurred. ASU 2014-09, as amended, is effective for non-public entities for periods beginning after December 15, 2019. An entity will apply this update using either a full retrospective application, which applies the standard to each prior period presented, or under the modified retrospective application, in which an entity recognizes the cumulative effect of initially applying the new standard as an adjustment to the opening statement of financial position at the date of initial application. The Organization has not determined the impact of ASU 2014-09 and its amendments at this time.

Catholic Community Services of the Archdiocese of Philadelphia

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

NOTE C - ACCOUNTS RECEIVABLE - DHS

At June 30, 2020 and 2019, the Organization had uncollateralized net accounts receivable from DHS of \$1,762,720 and \$1,193,427, respectively. This balance potentially subjects the Organization to a concentration of credit risk. The Organization monitors its funding arrangements with DHS and other governmental agencies.

NOTE D - PENSION PLAN

Lay Employees' Retirement Plan - frozen effective June 30, 2014

Through June 30, 2014, the eligible lay employees of the Organization were covered under the Archdiocese of Philadelphia Lay Employees' Retirement Plan (the "Plan"), which is a defined benefit pension plan covering substantially all lay employees of the Archdiocese, based on age and service requirements. The Plan is administered by the Trustees of the Plan. The Organization made annual contributions to the Plan at a rate of 5.9% of the salaries of eligible employees for both of the years ended June 30, 2020 and 2019. The amount expensed by the Organization for contributions to the Plan was \$207,639 and \$227,185 for the fiscal years ended June 30, 2020 and 2019, respectively. Separate accounts for vested benefits and pension fund assets are not maintained for each institution.

On November 5, 2013, the Archdiocese of Philadelphia Office for Financial Services ("OFS") announced that it would freeze the Plan effective June 30, 2014. All current employees at the time of the announced freeze retained benefits they had earned and continued to accrue benefits through the effective date. After the effective date, accrued pension benefits under the Plan do not increase for current employees for additional service or increase in pay after the freeze date.

Archdiocese of Philadelphia 403(b) Retirement Plan

The Archdiocese established a 403(b) defined contribution plan. Under the 403(b) plan, and subject to statutory limits, all employees at least 18 years of age are immediately eligible to make voluntary deferred salary contributions into the 403(b) plan.

Employer contributions, which cover employees meeting the eligibility requirements below, are discretionary. The following are the eligibility requirements for the employer contributions:

Grandfathered Employees - Any employee who was accruing benefits as an active participant in the Plan as of its freeze date of June 30, 2014 is a grandfathered employee and will be eligible to receive employer contributions beginning with the first payroll on or after September 1, 2014.

Non-Grandfathered Employees - Non-grandfathered employees are eligible to receive the employer contribution beginning with the first payroll coinciding with or immediately following the completion of 1,000 hours of service during the 18-month period beginning July 1, 2014 through December 31, 2015. The employee must also have attained at least 18 years of age to be eligible. For a non-grandfathered employee hired prior to July 1, 2014 who does not meet the eligibility requirements for an employer contribution in the time frame described above, the period for determining whether or not one meets the 1,000 hour service requirement will shift to the calendar year beginning January 1, 2016.

Vesting - Vesting in employer contributions to a 403(b) plan account will be immediate for any grandfathered employee who has completed 12 months of service as of June 30, 2014. Vesting in employer contributions for all other employees will take place after the completion of 12 months of service.

Catholic Community Services of the Archdiocese of Philadelphia

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

In fiscal years 2020 and 2019, the Archdiocese employer contribution rate was 4.5% of base salary for eligible employees. The contributions by the Organization into the 403(b) plan totaled \$158,369 and \$173,282 for the years ended June 30, 2020 and 2019, respectively.

NOTE E - RELATED PARTY TRANSACTIONS

The Organization leases certain facilities and equipment, utilized in the delivery of its services, from the Archdiocese and is covered under various insurance and retirement plans administered by the Archdiocese.

CSS provides administrative and accounting services for related institutions and group homes, including the Organization. The total expenses incurred by CSS in providing services are accumulated and allocated on a pro rata basis to the institutions and group homes. The allocated amount is reported as an administrative and general expense in the statements of activities. Any difference between the allocation and the amount charged to the institution during the year is considered a contribution of services from CSS. Repayment of amounts due to CSS is expected when cash is available. The amount due to CSS and related entities was \$1,550,849 and \$991,299 as of June 30, 2020 and 2019, respectively.

Catholic Charities Appeal donated \$11,000 and \$111,000 to the Organization during the fiscal years ended June 30, 2020 and 2019, respectively.

The transactions with the Archdiocese and CSS charged to expense as reflected in the statements of activities for the fiscal years ended June 30, were as follows:

	<u>2020</u>	<u>2019</u>
Archdiocese of Philadelphia		
Lay employee pension contributions	\$ 207,639	\$ 227,185
Catholic Social Services		
Allocated administrative and accounting costs	<u>243,263</u>	<u>241,022</u>
Total	<u>\$ 450,902</u>	<u>\$ 468,207</u>

Included in accounts payable and accrued expenses are certain related party amounts. These amounts are as follows for June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Catholic Housing and Community Services	<u>\$ 24,287</u>	<u>\$ 19,982</u>

NOTE F - INCOME TAX STATUS

The Organization is a nonprofit corporation, which has been granted exempt status from federal taxation under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision for income taxes has been included in the accompanying financial statements.

Catholic Community Services of the Archdiocese of Philadelphia

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

The Organization follows the accounting guidance for uncertainties in income tax positions, which requires that a tax position be recognized or derecognized based on a "more likely than not" threshold. This applies to positions taken or expected to be taken in a tax return. The Organization has determined that there are no material uncertain tax positions requiring recognition in the financial statements at June 30, 2020 or 2019.

NOTE G - FUNCTIONAL EXPENSES

The Organization provides case management services to young men, women and children. Expenses related to providing these services are as follows:

	Program	Supporting activities management and general	Total expenses year ended June 30, 2020
Salaries, wages and other payroll cost	\$ 4,852,054	\$ 289,369	\$ 5,141,423
Administrative and general expenses	652,123	264,024	916,147
Occupancy	279,223	-	279,223
Direct expenses of care	63,125	-	63,125
	<u>\$ 5,846,525</u>	<u>\$ 553,393</u>	<u>\$ 6,399,918</u>
Total expenses			
	Program	Supporting activities management and general	Total expenses year ended June 30, 2019
Salaries, wages and other payroll cost	\$ 5,219,856	\$ 188,273	\$ 5,408,129
Administrative and general expenses	817,344	265,637	1,082,981
Occupancy	219,117	-	219,117
Direct expenses of care	26,858	-	26,858
	<u>\$ 6,283,175</u>	<u>\$ 453,910</u>	<u>\$ 6,737,086</u>
Total expenses			

Expenses are charged directly to the functions above except for key employee salaries and benefits, which are allocated based on estimated time performing activities for each respective function.

NOTE H - SUBSEQUENT EVENTS

Management has evaluated subsequent events for the year ended June 30, 2020 through January 5, 2021, which is the date the financial statements were available to be issued. Pursuant to the requirements, there were no events or transactions occurring during the subsequent event reporting period which require recognition or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

Catholic Community Services of the Archdiocese of Philadelphia

SCHEDULE OF REVENUE

Year ended June 30, 2020

Operating revenue	
Governmental revenue:	
Human services funding	<u>\$ 6,395,452</u>
Total operating revenue	<u>6,395,452</u>
Other revenue	
Catholic Charities appeal	11,000
Donations	<u>2,150</u>
Total other revenue	<u>13,150</u>
Total revenue	<u><u>\$ 6,408,602</u></u>

Catholic Community Services of the Archdiocese of Philadelphia

SCHEDULE OF OPERATING EXPENSES

Year ended June 30, 2020

Salaries, wages and other payroll costs	
Administration	\$ 910,805
Professional	2,933,079
Clerical	114,764
Maintenance and services	57,159
FICA (employer's share)	295,931
Workers' compensation insurance	9,860
Unemployment tax	51,056
Employees' health and retirement benefits	768,769
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Total salaries, wages and other payroll costs	5,141,423
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Administrative and general expenses	
Administrative and accounting services allocated from Archdiocese of Philadelphia -	
Catholic Social Services	243,263
Professional fees	239,458
Client maintenance	
Telephone	80,035
Transportation	173,591
Conference and conventions	14,923
Dues	25
Equipment - replacement	114,158
General expenses and supplies	22,183
Postage	11,131
Staff development	11,975
Charity	5,405
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Total administrative and general expenses	916,147
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Occupancy	
Rental	241,634
Repairs and maintenance - buildings and grounds	32,697
Utilities	4,892
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Total occupancy	279,223
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Direct expenses of care	
Food	1,173
Personal	15,777
Other direct child care expenses	46,175
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Total direct expenses of care	63,125
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Total operating expenses	<u><u>\$ 6,399,918</u></u>