

Financial Statements and Report of  
Independent Certified Public  
Accountants in Accordance with the  
Uniform Guidance

**Nutritional Development Services of the  
Archdiocese of Philadelphia**

June 30, 2021 and 2020

## Contents

	Page
Report of Independent Certified Public Accountants	3
Financial Statements	
Statements of financial position	5
Statements of activities and changes in net assets	6
Statements of cash flows	8
Notes to financial statements	9
Required Supplementary Information	
Statements of activities and changes in net assets by program	20
Schedule of expenditures of federal and state awards	22
Notes to schedule of expenditures of federal and state awards	23
Schedule of cash receipts of federal and state awards	24
Report of Independent Certified Public Accountants on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	25
Report of Independent Certified Public Accountants on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	27
Schedule of findings and questioned costs	29
Summary of prior year audit findings	31

---

**GRANT THORNTON LLP**

Two Commerce Square  
2001 Market Street, Suite 700  
Philadelphia, PA 19103

**D** +1 215 561 4200

**F** +1 215 561 1066

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors  
Nutritional Development Services  
of the Archdiocese of Philadelphia

### Report on the financial statements

We have audited the accompanying financial statements of Nutritional Development Services of the Archdiocese of Philadelphia (the “Entity”), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 Nutritional Development Services of the Archdiocese of Philadelphia as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other matters***Supplementary information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary statements of activities and changes in net assets by program and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 audits 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.

*Other information*

The schedule of cash receipts of federal and state awards is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other reporting required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 15, 2021, on our consideration of the Entity's 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 the Entity's 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 the Entity's internal control over financial reporting and compliance.



Philadelphia, Pennsylvania  
November 15, 2021

**Nutritional Development Services of the Archdiocese of Philadelphia**

**STATEMENTS OF FINANCIAL POSITION**

**June 30,**

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 780,478	\$ 848,344
Cash - government-funded programs	1,777,668	2,640,846
Grants receivable	5,473,672	3,312,693
Other receivables	89,849	103,031
Inventory	509,755	644,753
Prepaid expenses	<u>60,985</u>	<u>60,985</u>
Total current assets	8,692,407	7,610,652
Investments - board designated	1,741,616	1,368,087
Equipment, net	<u>1,145,148</u>	<u>1,268,052</u>
Total assets	<u><u>\$ 11,579,171</u></u>	<u><u>\$ 10,246,791</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	<u>\$ 3,494,794</u>	<u>\$ 1,003,219</u>
Total current liabilities	3,494,794	1,003,219
Loan payable	522,361	546,997
Deferred revenue	<u>-</u>	<u>80,000</u>
Total liabilities	<u>4,017,155</u>	<u>1,630,216</u>
<b>Net assets</b>		
Net assets without donor restrictions	2,248,098	1,411,856
Net assets without donor restrictions - government-funded programs	<u>5,002,644</u>	<u>7,006,835</u>
Total net assets without donor restrictions	7,250,742	8,418,691
Net assets with donor restrictions	<u>311,274</u>	<u>197,884</u>
Total net assets	<u>7,562,016</u>	<u>8,616,575</u>
Total liabilities and net assets	<u><u>\$ 11,579,171</u></u>	<u><u>\$ 10,246,791</u></u>

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

**Nutritional Development Services of the Archdiocese of Philadelphia**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

Year ended June 30, 2021

	<b>Net Assets Without Donor Restrictions</b>	<b>Net Assets Without Donor Restrictions - Government- Funded Programs</b>	<b>Net Assets With Donor Restrictions</b>	<b>Total</b>
<b>Revenue</b>				
Grants				
Federal and state governments	\$ -	\$ 19,699,003	\$ -	\$ 19,699,003
City of Philadelphia	1,600	-	40,010	41,610
Foundation	549,588	14,500	150,006	714,094
Nongovernment meal receipts	-	246,801	-	246,801
Contributions from Operation Rice Bowl	-	-	53,444	53,444
Contributions - other	33,476	-	51,659	85,135
Subsidy from Catholic Charities Appeal Fund	150,000	-	-	150,000
Forgiveness of loan	19,547	527,450	-	546,997
Investment income	381,309	4,484	-	385,793
Other income	33,677	686	51,950	86,313
Net assets released from restrictions	233,679	-	(233,679)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	1,402,876	20,492,924	113,390	22,009,190
<b>Expenses</b>				
Food costs	326,875	17,418,792	-	17,745,667
Compensation	159,984	2,146,608	-	2,306,592
Office	19,193	130,423	-	149,616
Transportation	11,927	45,352	-	57,279
Fixed charges	1,268	113,107	-	114,375
Program administration	42,451	2,439,602	-	2,482,053
Depreciation	4,936	203,231	-	208,167
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	566,634	22,497,115	-	23,063,749
	<hr/>	<hr/>	<hr/>	<hr/>
Change in net assets	836,242	(2,004,191)	113,390	(1,054,559)
<b>Net assets</b>				
Beginning of year	1,411,856	7,006,835	197,884	8,616,575
	<hr/>	<hr/>	<hr/>	<hr/>
End of year	\$ 2,248,098	\$ 5,002,644	\$ 311,274	\$ 7,562,016
	<hr/>	<hr/>	<hr/>	<hr/>

The accompanying notes are an integral part of this financial statement.

**Nutritional Development Services of the Archdiocese of Philadelphia**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

Year ended June 30, 2020

	<b>Net Assets Without Donor Restrictions</b>	<b>Net Assets Without Donor Restrictions - Government- Funded Programs</b>	<b>Net Assets With Donor Restrictions</b>	<b>Total</b>
<b>Revenue</b>				
Grants				
Federal and state governments	\$ -	\$ 19,054,453	\$ -	\$ 19,054,453
City of Philadelphia	1,600	-	27,042	28,642
Foundation	319,733	924	72,000	392,657
Nongovernment meal receipts	-	423,271	-	423,271
Contributions from Operation Rice Bowl	-	-	102,912	102,912
Contributions - other	32,794	-	52,322	85,116
Subsidy from Catholic Charities Appeal Fund	150,000	-	-	150,000
Investment income	46,599	9,249	-	55,848
Other income	25,195	5,579	6,500	37,274
Net assets released from restrictions	147,780	-	(147,780)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	723,701	19,493,476	112,996	20,330,173
<b>Expenses</b>				
Food costs	354,751	13,727,330	-	14,082,081
Compensation	181,411	2,598,545	-	2,779,956
Office	13,928	111,531	-	125,459
Transportation	9,769	80,190	-	89,959
Fixed charges	2,289	112,194	-	114,483
Program administration	41,073	2,780,500	-	2,821,573
Depreciation	5,154	226,268	-	231,422
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	608,375	19,636,558	-	20,244,933
	<hr/>	<hr/>	<hr/>	<hr/>
Change in net assets	115,326	(143,082)	112,996	85,240
<b>Net assets</b>				
Beginning of year	1,296,530	7,149,917	84,888	8,531,335
	<hr/>	<hr/>	<hr/>	<hr/>
End of year	\$ 1,411,856	\$ 7,006,835	\$ 197,884	\$ 8,616,575
	<hr/>	<hr/>	<hr/>	<hr/>

The accompanying notes are an integral part of this financial statement.

**Nutritional Development Services of the Archdiocese of Philadelphia**

**STATEMENTS OF CASH FLOWS**

**Year ended June 30,**

	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (1,054,559)	\$ 85,240
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	208,167	231,422
Forgiveness of loan	(546,997)	-
Realized and unrealized gains on investments	(358,444)	(21,176)
Changes in assets and liabilities		
Grants receivable	(2,160,979)	(179,416)
Other receivables	13,182	131,276
Inventory	134,998	(110,669)
Accounts payable and accrued expenses	2,491,575	(535,053)
Deferred revenue	(80,000)	80,000
	<u>(1,353,057)</u>	<u>(318,376)</u>
Net cash used in operating activities		
<b>Cash flows from investing activities</b>		
Purchases of equipment	(85,263)	(225,498)
Purchases of investments	(247,667)	(401,559)
Sales of investments	232,582	232,605
	<u>(100,348)</u>	<u>(394,452)</u>
Net cash used in investing activities		
<b>Cash flows from financing activities</b>		
Proceeds from loan payable	522,361	546,997
	<u>522,361</u>	<u>546,997</u>
Net cash (used in) provided by financing activities		
Net decrease in cash	(931,044)	(165,831)
<b>Cash</b>		
Beginning of year	3,489,190	3,655,021
	<u>3,489,190</u>	<u>3,655,021</u>
End of year	<u>\$ 2,558,146</u>	<u>\$ 3,489,190</u>

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



**Nutritional Development Services of the Archdiocese of Philadelphia**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021 and 2020**

**NOTE A - ORGANIZATION AND PURPOSE**

Nutritional Development Services (“NDS”) is a corporation of the Archdiocese of Philadelphia whose purpose is to obtain and distribute nutritious foods at a minimum cost to those attending or residing in educational or charitable institutions, or to those whose physical or financial circumstances require a specialized delivery of food; to provide food procurement and delivery services contemplated by governmental agencies; to conduct nutrition awareness programs in conjunction with these activities and to cooperate with and render technical assistance and advice to others working in this field.

**NOTE B - RISKS AND UNCERTAINTIES**

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (“COVID-19”) as a pandemic, which continues to spread throughout the United States. As a result of the school, childcare and after-school site closures, there has been significant negative impact to NDS’ revenues and operations. While the disruption is expected to be temporary, there is uncertainty around the duration. NDS expects this matter to negatively impact its business. NDS is leveraging its statement of financial position and seeking ways to preserve its financial flexibility until normal operations resume when the crisis passes and site closures are lifted.

In March 2020, the federal government through the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act, started a program called the Paycheck Protection Program (“PPP”). This program was designed to help small businesses, with less than 500 employees, with funds to cover the costs associated with payroll, wages, health insurance and matching contributions on retirement plans. In addition, the funds can be used to cover costs of utilities and interest on outstanding mortgages. Companies receiving these funds can request for the loan to be forgiven in its entirety assuming the proceeds have been used as outlined in the guidelines. NDS successfully applied for and received \$546,997 during the year ended June 30, 2020. The loan was forgiven by the Small Business Administration (“SBA”) and is recorded as revenue on the statement of activities and changes in net assets for the year ended June 30, 2021. During the year ended June 30, 2021, NDS successfully applied for and received an additional loan under the PPP for \$522,361. This amount is recorded as a loan payable pending forgiveness from the SBA.

During 2021, NDS has been affected by the nationwide shortage of food, supplies and labor for the programs it sponsors, with the child nutrition programs being the most impacted. With several emergency waivers and flexibility provided by the United States Department of Agriculture (“USDA”), NDS has been able to respond to these challenges by making substitutions to its menus and finding other vendors and providers for products that are needed. NDS remains committed to ensuring all children have equal access to meals.

**NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

The financial statements of NDS have been prepared in conformity with accounting principles generally accepted in the United States of America (“US GAAP”). The significant accounting policies followed are described below.

Net assets and revenues, expenses, gains and losses are categorized into two categories, based on the existence or absence of donor-imposed restrictions.

*Net assets with donor restrictions* include contributions, which can be expended but for which restrictions have not yet been met.

## Nutritional Development Services of the Archdiocese of Philadelphia

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2021 and 2020

*Net assets without donor restrictions* are free of donor-imposed restrictions. Included in these funds are \$1,741,616 and \$1,368,087 of board-designated investments as of June 30, 2021 and 2020, respectively.

#### ***Funding***

NDS receives most of its revenues from performance-based contracts with various governmental agencies. These revenues are subject to audit, which could result in repayment or reversal of revenues.

The various school, childcare, and summer meals programs are funded by the U.S. Department of Agriculture through the Pennsylvania Department of Education. The State Food Purchase Program is funded by the Commonwealth of Pennsylvania. Programs listed as part of the Child Nutrition Cluster in this report are governed by the United States Department of Agriculture regulations including 7 CFR 210, 220, 215, and 226 and FNS Instruction 796-2, in addition to guidance from the Pennsylvania Department of Education. Surpluses within these programs that are not required to be returned or spent, are to be retained for that program exclusively. These funds are to be used to improve operations or set aside to apply to any future losses within the specific program. These cash balances and net assets are recorded as without donor restrictions; however, the amounts are contractually obligated for use in these programs.

#### ***Contributions***

Gifts of long-lived assets are reported at fair value as revenue without donor restrictions. Gifts specified for the acquisition or construction of long-lived assets are reported as net assets without donor restrictions when the assets are placed in service.

#### ***Classification of Gifts***

NDS reports gifts of cash and other assets as donor-restricted 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 stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from donor restrictions. Donor-restricted contributions are reported as operating revenue without donor restrictions when the restriction is satisfied within the same year that the contribution is received.

#### ***Use of Estimates***

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

#### ***Equipment and Depreciation***

Equipment purchased is stated at cost, while donated assets are stated at fair value on the date of donation. Depreciation is provided over the estimated useful lives of the assets and is computed using the straight-line method. The estimated useful life for equipment ranges from 3 to 12 years.

#### ***Cash***

NDS maintains its cash on deposit with a large commercial bank, and the deposit typically exceeds Federal Deposit Insurance Corporation limits. Management does not believe the credit risk related to these deposits to be significant.

**Nutritional Development Services of the Archdiocese of Philadelphia**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

***Inventory***

Inventory consists of food and supplies used for the programs and is stated at the lower of cost or market value. Cost is determined by the first-in, first-out method.

***Investments***

Investments consist of investments set aside by the Board of Directors for future purposes that were received through special appeals for the Community Food Program. Investments in debt and equity securities are measured at fair value based on quoted market prices. Alternative investments include investments in private equity funds, which are measured at the net asset value ("NAV") of the securities held. All investments are designated as trading securities. Investment income, realized gains and losses, and changes in net unrealized gains and losses on trading securities are recorded as other income on the statement of activities and changes in net assets.

***Liquidity and Availability of Resources***

Financial assets available for general expenditure within one year and current liabilities as of June 30 consist of the following:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 2,558,146	\$ 3,489,190
Grants receivable	5,473,672	3,312,693
Other receivables	<u>89,849</u>	<u>103,031</u>
	8,121,667	6,904,914
Investments - board designated	<u>1,741,616</u>	<u>1,368,087</u>
	9,863,283	8,273,001
Financial assets available to management	9,863,283	8,273,001
Current liabilities	<u>(3,494,794)</u>	<u>(1,003,219)</u>
	6,368,489	7,269,782
Assets available to management less current liabilities	<u>\$ 6,368,489</u>	<u>\$ 7,269,782</u>

Assets available to management include expected proceeds from government grants of \$5,473,672, other receivables of \$89,849, and cash from government-funded programs of \$1,777,668, which are under contractual obligations with the government grantor and are to be used solely for activities to operate the government-funded food programs. As NDS' operations are entirely for this purpose, these amounts are part of the liquidity analysis above and are not considered restricted by donor.

***Recently Adopted Accounting Pronouncements***

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*, 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. The adoption of ASU 2014-09 as of July 1, 2020 did not have a material impact on the NDS financial statements.

**Nutritional Development Services of the Archdiocese of Philadelphia**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

***Pending Accounting Pronouncements***

In February 2016, the FASB issued ASU 2016-02, *Leases*, which will require entities to record additional leases onto the statement of financial position. The standard aims to increase transparency and comparability among organizations by recognizing lease assets and liabilities and increasing disclosure requirements about leasing arrangements. ASU 2016-02, as amended, will be effective for annual periods beginning after December 15, 2021, and interim periods therein. NDS is evaluating the impact of ASU 2016-02 at this time.

***Reclassifications***

Certain amounts in the 2020 financial statements have been reclassified to be consistent with the 2021 presentation.

**NOTE D - EQUIPMENT, NET**

Equipment at June 30 consisted of:

	<u>2021</u>	<u>2020</u>
Equipment at schools	\$ 3,140,656	\$ 3,066,079
Office equipment	997,553	986,867
	<u>4,138,209</u>	<u>4,052,946</u>
Less: accumulated depreciation	<u>(2,993,061)</u>	<u>(2,784,894)</u>
	<u>\$ 1,145,148</u>	<u>\$ 1,268,052</u>

Depreciation expense for the years ended June 30, 2021 and 2020 amounted to \$208,167 and \$231,422, respectively.

**NOTE E - INVESTMENTS**

At June 30, NDS held the following categories of investments:

	<u>2021</u>	<u>2020</u>
Cash	\$ 60,095	\$ 189,829
Mutual funds	451,350	212,810
Equities	972,156	678,332
Alternative investments	<u>258,015</u>	<u>287,116</u>
	<u>\$ 1,741,616</u>	<u>\$ 1,368,087</u>

**Nutritional Development Services of the Archdiocese of Philadelphia**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

NDS recognized the following changes as part of other income on the statements of activities and changes in net assets for the years ended June 30:

	2021	2020
Dividend and interest income	\$ 27,257	\$ 34,672
Realized gains (losses), net	24,024	(37,907)
Unrealized gains, net	334,512	59,083
	\$ 385,793	\$ 55,848

The NDS Investment Committee retains the authority to approve the Investment Managers' strategic asset allocation between asset classes as noted in the NDS Investment Policy Statement, which is approved by the NDS Board of Directors. The NDS Finance Committee is responsible for oversight of the investments including setting risk tolerances and controls.

**NOTE F - FAIR VALUE MEASUREMENTS**

FASB Accounting Standards Codification ("ASC") 820, *Fair Value Measurements and Disclosures*, establishes a single authoritative definition of fair value, sets a framework for measuring fair value, and requires additional disclosures about fair value measurements. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described as follows:

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

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Fair value calculations may not be indicative of net realizable value or reflective of future fair values. Furthermore, although NDS 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 instruments could result in a different fair value measurement at the reporting date.

**Nutritional Development Services of the Archdiocese of Philadelphia**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

The following tables present the fair values of the investments held by NDS by level within the fair value hierarchy as of June 30, 2021 and 2020:

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
<u>2021</u>				
Cash	\$ 60,095	\$ -	\$ -	\$ 60,095
Mutual funds	451,350	-	-	451,350
Equities	<u>972,156</u>	<u>-</u>	<u>-</u>	<u>972,156</u>
	<u>\$ 1,483,601</u>	<u>\$ -</u>	<u>\$ -</u>	1,483,601
Alternative investments at NAV				<u>258,015</u>
Total assets				<u>\$ 1,741,616</u>
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
<u>2020</u>				
Cash	\$ 189,829	\$ -	\$ -	\$ 189,829
Mutual funds	212,810	-	-	212,810
Equities	<u>678,332</u>	<u>-</u>	<u>-</u>	<u>678,332</u>
	<u>\$ 1,080,971</u>	<u>\$ -</u>	<u>\$ -</u>	1,080,971
Alternative investments at NAV				<u>287,116</u>
Total assets				<u>\$ 1,368,087</u>

During 2021 and 2020, no investments were transferred between Level 1, 2 or 3.

The alternative investments are investments in two private equity funds, both are long-term capital appreciation funds, which benchmark to the MSCI All Country World Index and the Russell 2000 Index, respectively, and are measured using the NAV of the fund. The funds' NAV is used to estimate fair value. NDS has no unfunded commitments or redemption restrictions related to these investments and can redeem the investments at will.

**Nutritional Development Services of the Archdiocese of Philadelphia**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

**NOTE G - OPERATING LEASES**

NDS has non-cancellable operating leases for two copiers and one vehicle. Future minimum rental payments, which extend to 2024, for non-cancellable lease terms in excess of one year as of June 30, 2021 are as follows:

2022	\$	10,792
2023		10,792
2024		<u>11,526</u>
	\$	<u>33,110</u>

Rental expense related to these leases for each of the years ended June 30, 2021 and 2020 was \$7,680 and \$10,470, respectively.

**NOTE H - PENSIONS**

***Lay Employees' Retirement Plan - Frozen Effective June 30, 2014***

Through June 30, 2014, the eligible lay employees of NDS were covered under the Archdiocese of Philadelphia's Lay Employees' Retirement Plan (the "Plan"), which is a defined benefit pension plan covering substantially all lay employees of the Archdiocese of Philadelphia, based on age and service requirements. The Plan is administered by the Trustees of the Plan. NDS made annual contributions to the Plan at a rate of 5.9% of the salaries of eligible employees for the years ended June 30, 2021 and 2020, respectively. The amount expensed by NDS for contributions to the Plan was \$101,452 and \$119,161 for the fiscal years ended June 30, 2021 and 2020, respectively. Separate accounts for vested benefits and pension fund assets are not maintained for each institution.

***Archdiocese of Philadelphia 403(b) Retirement Plan***

Effective July 1, 2014, the Archdiocese of Philadelphia established a 403(b) defined contribution plan (the "403(b) 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 contributions 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 was modified 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.

**Nutritional Development Services of the Archdiocese of Philadelphia**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

In fiscal years 2021 and 2020, the Archdiocese of Philadelphia employer contribution rate was 4.5% of base salary for eligible employees. The contributions by NDS into the 403(b) plan totaled \$77,379 and \$90,886 for the years ended June 30, 2021 and 2020, respectively.

**NOTE I - INCOME TAXES**

NDS is recognized as exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code ("IRC"), except on activities unrelated to their exempt purposes. The organization has processes presently in place to ensure the maintenance of its tax-exempt status, to identify and report unrelated income, to determine its filing and tax obligations in jurisdictions for which it has nexus, and to identify and evaluate other matters that may be considered tax positions.

NDS follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is "more likely than not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged. The organization has determined that there are no material uncertain tax positions that require recognition or disclosure in its consolidated financial statements.

**NOTE J - CONTRIBUTIONS OF FOOD**

During 2021 and 2020, approximately 921,000 and 841,000 pounds of food, respectively, with an estimated fair value of \$1,566,000 and \$1,401,000, respectively, were donated from various nongovernment sources and related parties. This food was redistributed to organizations feeding the needy and is not reflected in these financial statements.

**NOTE K - FUNCTIONAL EXPENSES**

The following tables summarize program and supporting, management and general expenses for the years ended June 30, 2021 and 2020.

<u>2021</u>	<u>Program</u>	<u>Supporting Management and General</u>	<u>Total Expenses Year Ended June 30, 2021</u>
Food costs	\$ 17,745,667	\$ -	\$ 17,745,667
Compensation	22,927	2,283,665	2,306,592
Office	-	149,616	149,616
Transportation	57,279	-	57,279
Fixed charges	-	114,375	114,375
Program administration	2,482,053	-	2,482,053
Depreciation	208,167	-	208,167
	<u>\$ 20,516,093</u>	<u>\$ 2,547,656</u>	<u>\$ 23,063,749</u>



**Nutritional Development Services of the Archdiocese of Philadelphia**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

<u>2020</u>	<u>Program</u>	<u>Supporting Management and General</u>	<u>Total Expenses Year Ended June 30, 2020</u>
Food costs	\$ 14,082,081	\$ -	\$ 14,082,081
Compensation	195,375	2,584,581	2,779,956
Office	-	125,459	125,459
Transportation	89,959	-	89,959
Fixed charges	-	114,483	114,483
Program administration	2,821,573	-	2,821,573
Depreciation	231,422	-	231,422
	<u>\$ 17,420,410</u>	<u>\$ 2,824,523</u>	<u>\$ 20,244,933</u>
Total expenses			

Program expenses consist of food, program compensation, transportation, depreciation and program administrative costs. Support expenses consist of supporting compensation, office expenses, fixed charges and miscellaneous costs.

**NOTE L - RELATED PARTY TRANSACTIONS**

NDS provides meals to elementary schools and childcare centers of parishes in the Archdiocese of Philadelphia. These meals are purchased by NDS and distributed in schools and centers under the federally funded child nutritional programs. During fiscal years 2021 and 2020, a total of \$38,428 and \$132,082, respectively, was purchased by the students, of which \$6,159 and \$9,110 was included in other receivables at June 30, 2021 and 2020, respectively.

NDS receives subsidies from the Catholic Charities Appeal Fund (“Catholic Charities”), which is a fund administered for the Archdiocese of Philadelphia. Subsidies for the administrative costs of the Community Food Program were \$150,000 for both of the years ended June 30, 2021 and 2020, respectively. Additionally, Catholic Charities through a separate annual appeal raises funds to be used for program costs by the Community Food Program and contributed \$531,925 and \$304,924 for the years ended June 30, 2021 and 2020, respectively.

NDS also receives funds from Operation Rice Bowl, which is also a program administered by the Archdiocese of Philadelphia, in which contributions are received from churches throughout the Archdiocese of Philadelphia. Contributions from Operation Rice Bowl for the years ended June 30, 2021 and 2020 were \$53,444 and \$102,912, respectively.

NDS rents certain facilities, utilized in the delivery of its services, from the Archdiocese of Philadelphia. Rent expense on these facilities was \$101,910 for both of the years ended June 30, 2021 and 2020. It is presented as part of fixed charges on the statements of activities and changes in net assets.

NDS reimburses Catholic Social Services (“CSS”) of the Archdiocese of Philadelphia for meals served at the residential childcare centers and group homes. These meals are served in accordance with the regulations of the National School Lunch and Breakfast Program. As of June 30, 2021 and 2020, NDS has amounts payable to CSS totaling \$29,353 and \$65,064, respectively, which are included as part of accounts payable and accrued expenses on the statements of financial position.

**Nutritional Development Services of the Archdiocese of Philadelphia**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2021 and 2020**

**NOTE M - SUBSEQUENT EVENTS**

NDS evaluated events subsequent to June 30, 2021 and through November 15, 2021, the date the financial statements were available to be issued. Pursuant to reporting requirements, there were two events occurring during the subsequent event reporting period which required disclosure in the financial statements.

In January 2021, NDS was notified by Pennsylvania Department of Education (“PDE”) that it would be a recipient of the Emergency Operating Cost (“EOC”) funding as a result of the Consolidated Appropriations Act of 2021. This act included additional reimbursement to sponsors of the School Nutrition Program and the Child and Adult Care Food Program (“CACFP”) for costs incurred during the COVID-19 public health emergency. In a USDA memo dated August 11, 2021, information regarding the calculation and release of this funding was announced. PDE sent an additional memo on September 21, 2021 indicating the amount of funding for the programs NDS sponsors would be \$1,413,087 and it is expected to be issued prior to the end of December 2021.

NDS has purchased services from the Archdiocese of Philadelphia and related Archdiocesan offices for office space, IT services and support, insurance and parking for almost five decades. In January 2021, PDE requested new documentation for these related party expenses. NDS complied but was notified in August 2021 that the documentation was insufficient and all “less than arms-length” expenses in the fiscal year 2021 CACFP budget would be disallowed. On August 18, 2021, NDS, through legal counsel, filed an appeal with PDE regarding this issue. Upon filing, NDS received an immediate 60 day stay of the appeal to provide information and time for settlement of the issues. Additional information prepared by counsel was provided to PDE on October 18, 2021. As of the date of issuance of the financial statements, NDS has not received any further communication from PDE in this regard. In the interim, NDS submitted the CACFP budget for the 2021-22 fiscal year. The budget for 2021-22 was approved with the exception of any less than arms-length transactions with the Archdiocese of Philadelphia.

SUPPLEMENTARY INFORMATION

**Nutritional Development Services of the Archdiocese of Philadelphia**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS BY PROGRAM**

Year ended June 30, 2021

	<u>School-Based Program</u>	<u>Seamless Summer Option</u>	<u>Child Care Program</u>	<u>Community Food</u>	<u>Food Program Admin</u>	<u>CFP Annual Appeal</u>	<u>Total All Programs</u>
<b>Revenue</b>							
Grants							
Federal government	\$ 1,104,905	\$ 16,718,915	\$ 1,875,183	\$ -	\$ -	\$ -	\$ 19,699,003
City of Philadelphia	-	-	-	40,010	1,600	-	41,610
Foundation	-	14,500	-	150,006	17,663	531,925	714,094
Nongovernment meal receipts	26,225	-	220,576	-	-	-	246,801
Contributions from Rice Bowl	-	-	-	53,444	-	-	53,444
Contributions - other	-	-	-	51,659	33,476	-	85,135
Subsidy from Catholic Charities Appeal Fund	-	-	-	-	150,000	-	150,000
Forgiveness of loan	152,319	235,692	139,439	-	19,547	-	546,997
Interest income	2,758	562	1,164	-	91	381,218	385,793
Other income	284	400	-	51,950	33,679	-	86,313
	<u>1,286,491</u>	<u>16,970,069</u>	<u>2,236,362</u>	<u>347,069</u>	<u>256,056</u>	<u>913,143</u>	<u>22,009,190</u>
<b>Expenses</b>							
Food costs	383,242	15,201,665	1,833,885	233,680	-	93,195	17,745,667
Compensation	815,369	742,634	588,605	-	159,984	-	2,306,592
Office	29,744	72,746	27,933	-	11,050	8,143	149,616
Transportation	21,314	8,136	15,902	-	11,927	-	57,279
Fixed charges	79,318	1,363	32,426	-	1,268	-	114,375
Program administration	239,618	2,121,826	78,157	-	34,802	7,650	2,482,053
Depreciation	194,754	1,009	7,468	-	4,936	-	208,167
	<u>1,763,359</u>	<u>18,149,379</u>	<u>2,584,376</u>	<u>233,680</u>	<u>223,967</u>	<u>108,988</u>	<u>23,063,749</u>
Change in net assets	(476,868)	(1,179,310)	(348,014)	113,389	32,089	804,155	(1,054,559)
<b>Net assets (deficiency)</b>							
Beginning of year	7,896,985	(1,251,516)	361,366	197,884	(129,542)	1,541,398	8,616,575
End of year	<u>\$ 7,420,117</u>	<u>\$ (2,430,826)</u>	<u>\$ 13,352</u>	<u>\$ 311,273</u>	<u>\$ (97,453)</u>	<u>\$ 2,345,553</u>	<u>\$ 7,562,016</u>

**Nutritional Development Services of the Archdiocese of Philadelphia**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS BY PROGRAM**

Year ended June 30, 2020

	<u>School-Based Program</u>	<u>Seamless Summer Option</u>	<u>Child Care Program</u>	<u>Community Food</u>	<u>Food Program Admin</u>	<u>CFP Annual Appeal</u>	<u>Total All Programs</u>
<b>Revenue</b>							
Grants							
Federal government	\$ 10,793,142	\$ 4,768,998	\$ 3,492,313	\$ -	\$ -	\$ -	\$ 19,054,453
City of Philadelphia	-	-	-	27,042	1,600	-	28,642
Foundation	-	924	-	72,000	14,809	304,924	392,657
Nongovernment meal receipts	116,350	-	306,921	-	-	-	423,271
Contributions from Rice Bowl	-	-	-	102,912	-	-	102,912
Contributions - other	-	-	-	52,322	32,794	-	85,116
Subsidy from Catholic Charities Appeal Fund	-	-	-	-	150,000	-	150,000
Interest income	5,603	1,133	2,513	-	189	46,410	55,848
Other income	579	5,000	-	6,500	25,195	-	37,274
<b>Total revenue</b>	<u>10,915,674</u>	<u>4,776,055</u>	<u>3,801,747</u>	<u>260,776</u>	<u>224,587</u>	<u>351,334</u>	<u>20,330,173</u>
<b>Expenses</b>							
Food costs	6,706,852	3,934,033	3,086,445	147,780	-	206,971	14,082,081
Compensation	1,327,588	351,359	919,598	-	181,411	-	2,779,956
Office	60,186	13,673	37,672	-	7,905	6,023	125,459
Transportation	33,182	18,973	28,035	-	9,769	-	89,959
Fixed charges	80,966	1,320	29,908	-	2,289	-	114,483
Program administration	2,312,219	258,302	209,979	-	26,567	14,506	2,821,573
Depreciation	216,449	685	9,134	-	5,154	-	231,422
<b>Total expenses</b>	<u>10,737,442</u>	<u>4,578,345</u>	<u>4,320,771</u>	<u>147,780</u>	<u>233,095</u>	<u>227,500</u>	<u>20,244,933</u>
Change in net assets	178,232	197,710	(519,024)	112,996	(8,508)	123,834	85,240
<b>Net assets (deficiency)</b>							
Beginning of year	<u>7,718,753</u>	<u>(1,449,226)</u>	<u>880,390</u>	<u>84,888</u>	<u>(121,034)</u>	<u>1,417,564</u>	<u>8,531,335</u>
End of year	<u>\$ 7,896,985</u>	<u>\$ (1,251,516)</u>	<u>\$ 361,366</u>	<u>\$ 197,884</u>	<u>\$ (129,542)</u>	<u>\$ 1,541,398</u>	<u>\$ 8,616,575</u>

**Nutritional Development Services of the Archdiocese of Philadelphia**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

Year ended June 30, 2021

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Assistance Listings Number</u>	<u>Pass-through Grantor's Number</u>	<u>Program Expenditures per Fiscal Year 2021</u>
<u>Federal Awards</u>			
Department of Agriculture			
Child Nutrition Cluster			
VPI Commodity Pilot	10.555	N/A	\$ 1,271,644
Total direct awards			<u>1,271,644</u>
Pass-through from Pennsylvania Department of Education			
National School Lunch Program	10.555	226-51053-2/326-51005-4	10,063,051
School Breakfast Program	10.553	226-51053-2/326-51005-4	5,740,819
Special Milk Program for Children	10.556	226-51053-2	11,731
After School Snack Program	10.555	326-51005-4	<u>25,390</u>
Total Child Nutrition Cluster			<u>15,840,991</u>
Total Child Nutrition Cluster			17,112,635
Child and Adult Care Program	10.558	226-51053-2	1,875,183
Fresh Fruit and Vegetable Program	10.582	226-51053-2	<u>74,496</u>
Total expenditures of federal awards			<u>19,062,314</u>
<u>State Awards</u>			
National School Lunch Program	N/A	N/A	381,237
School Breakfast Program	N/A	N/A	<u>255,452</u>
Total expenditures of state awards			<u>636,689</u>
Total expenditures of federal and state awards			<u>\$ 19,699,003</u>

**Nutritional Development Services of the Archdiocese of Philadelphia**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

**Year ended June 30, 2021**

**NOTE A - GENERAL**

The accompanying Schedule of Expenditures of Federal and State Awards ("SEFA") presents the activities in all the federal and state financial assistance programs of Nutritional Development Services of the Archdiocese of Philadelphia ("NDS"). All financial awards received directly from federal agencies, as well as federal financial awards passed through other governmental agencies or nonprofit organizations, are included on the SEFA.

**NOTE B - BASIS OF ACCOUNTING**

The accompanying SEFA has been prepared on an accrual basis of accounting.

**NOTE C - DESCRIPTION OF AWARDS**

The SEFA represents the number of meals served under the program multiplied by the reimbursement rate applicable to that program. Included as part of the awards listed on the SEFA, NDS receives funding from the Commonwealth of Pennsylvania (the "Commonwealth"). The amounts noted in the table below for the school lunch and breakfast programs are matches of the Federal awards received. The Commonwealth matches the number of claimable breakfast and lunches at \$0.10 on each dollar award by the Federal government. An additional reimbursement amount is paid for lunch at \$0.04 or \$0.02 on the dollar if breakfast participation is greater than or less than 20%, respectively.

Commonwealth Awards	
National School Lunch Program	\$ 381,237
School Breakfast Program	<u>255,452</u>
	<u>\$ 636,689</u>

**NOTE D - REVENUE/EXPENSE RECOGNITION**

NDS utilizes a direct cost rate and has not elected to use the 10% de minimis cost rate.

**Nutritional Development Services of the Archdiocese of Philadelphia**

**SCHEDULE OF CASH RECEIPTS OF FEDERAL AND STATE AWARDS**

Year ended June 30, 2021

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Assistance Listings Number</u>	<u>Pass-through Grantor's Number</u>	<u>Program Expenditures Received per Fiscal Year 2021</u>
<u>Federal Awards</u>			
Department of Agriculture			
Child Nutrition Cluster			
VPI Commodity Pilot	10.555	N/A	\$ 1,271,644
Total direct awards			<u>1,271,644</u>
Pass-through from Pennsylvania Department of Education			
National School Lunch Program	10.555	226-51053-2/326-51005-4	8,931,115
School Breakfast Program	10.553	226-51053-2/326-51005-4	5,248,809
Special Milk Program for Children	10.556	226-51053-2	8,542
After School Snack Program	10.555	326-51005-4	<u>21,701</u>
			<u>14,210,167</u>
Total Child Nutrition Cluster			15,481,811
Child and Adult Care Program	10.558	226-51053-2	1,440,805
Fresh Fruit and Vegetable Program	10.582	226-51053-2	<u>37,216</u>
Total expenditures of federal awards			<u>16,959,833</u>
<u>State Awards</u>			
National School Lunch Program	N/A	N/A	343,103
School Breakfast Program	N/A	N/A	<u>235,088</u>
Total expenditures of state awards			<u>578,191</u>
Total expenditures of federal and state awards			<u><u>\$ 17,538,024</u></u>



---

**GRANT THORNTON LLP**

Two Commerce Square  
2001 Market Street, Suite 700  
Philadelphia, PA 19103

**D** +1 215 561 4200

**F** +1 215 561 1066

## **REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Board of Directors  
Nutritional Development Services  
of the Archdiocese of Philadelphia

We have audited, 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, the financial statements of Nutritional Development Services of the Archdiocese of Philadelphia (the "Entity"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 15, 2021.

### **Internal control over financial reporting**

In planning and performing our audit of the financial statements, we considered the Entity's 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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of the Entity's 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 the Entity's 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 the Entity's internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and other matters**

As part of obtaining reasonable assurance about whether the Entity's 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 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*.

**Intended purpose**

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 the Entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Entity's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

*Grant Thornton LLP*

Philadelphia, Pennsylvania  
November 15, 2021

---

**GRANT THORNTON LLP**

Two Commerce Square  
2001 Market Street, Suite 700  
Philadelphia, PA 19103

**D** +1 215 561 4200

**F** +1 215 561 1066

## **REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors  
Nutritional Development Services  
of the Archdiocese of Philadelphia

### **Report on compliance for each major federal program**

We have audited the compliance of Nutritional Development Services of the Archdiocese of Philadelphia (the "Entity") with the types of compliance requirements described in the U.S. Office of Management and Budget's *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021. The Entity's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to the Entity's federal programs.

### **Auditor's responsibility**

Our responsibility is to express an opinion on compliance for each of the Entity's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Entity's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Entity's compliance.

### **Opinion on each major federal program**

In our opinion, the Entity complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

## Report on internal control over compliance

Management of the Entity is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Entity's internal control over compliance with the types of compliance requirements that could have a direct and material effect on each major federal program to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this Report on Internal Control Over Compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Grant Thornton LLP*

Philadelphia, Pennsylvania  
November 15, 2021

**Nutritional Development Services of the Archdiocese of Philadelphia**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the year ended June 30, 2021**

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____	yes	_____	<u>X</u>	no
Significant deficiency(ies) identified?	_____	yes	_____	<u>X</u>	none reported
Noncompliance material to financial statements noted?	_____	yes	_____	<u>X</u>	no

**Federal and State Awards**

Internal control over the major program:

Material weakness(es) identified?	_____	yes	_____	<u>X</u>	no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____	yes	_____	<u>X</u>	none reported

Type of auditors' report issued on compliance for the major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	_____	yes	_____	<u>X</u>	no
--	-------	-----	-------	----------	----

**Identification of the major federal programs:**

<u>Assistance Listing Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555/10.556	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?	<u>X</u>	yes	_____	no
--	----------	-----	-------	----

**Nutritional Development Services of the Archdiocese of Philadelphia**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**

**For the year ended June 30, 2021**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

No matters required to be reported.

**SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

No matters required to be reported.

**Nutritional Development Services of the Archdiocese of Philadelphia**

**SUMMARY OF PRIOR YEAR AUDIT FINDINGS**

**For the year ended June 30, 2021**

No matters required to be reported.