

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, 2022 and 2021

## Contents

	Page
Report of Independent Certified Public Accountants	3
Financial Statements	
Statements of financial position	6
Statements of activities and changes in net assets	7
Statements of cash flows	9
Notes to financial statements	10
Required Supplementary Information	
Statements of activities and changes in net assets by program	21
Schedule of expenditures of federal and state awards	23
Notes to schedule of expenditures of federal and state awards	24
Schedule of cash receipts of federal and state awards	25
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>	26
Report of Independent Certified Public Accountants on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	28
Schedule of findings and questioned costs	31
Summary of prior year audit findings	33

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Board of Directors  
Nutritional Development Services  
of the Archdiocese of Philadelphia

**Report on the financial statements****Opinion**

We have audited the financial statements of Nutritional Development Services of the Archdiocese of Philadelphia (a nonprofit organization) (the “Entity”), which comprise the statements of financial position as of June 30, 2022 and 2021, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as of June 30, 2022 and 2021, 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.

**Basis for opinion**

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

**Responsibilities of management for the financial statements**

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS 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 financial statements.

In performing an audit in accordance with US GAAS 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 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 financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Entity's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

**Supplementary information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary statements of activities and changes in net assets by program, the schedule of cash receipts of federal and state awards, 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 such 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 US GAAS. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other reporting required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2022 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 10, 2022

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

**STATEMENTS OF FINANCIAL POSITION**

**June 30,**

	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 540,647	\$ 780,478
Cash - government-funded programs	4,880,737	1,777,668
Grants receivable	3,246,920	5,473,672
Other receivables	131,720	89,849
Inventory	512,769	509,755
Prepaid expenses	60,985	60,985
Total current assets	9,373,778	8,692,407
Investments - board designated	1,930,448	1,741,616
Equipment, net	1,070,218	1,145,148
Total assets	<b>\$ 12,374,444</b>	<b>\$ 11,579,171</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 1,132,556	\$ 3,494,794
Total current liabilities	1,132,556	3,494,794
Loan payable	-	522,361
Total liabilities	1,132,556	4,017,155
<b>Net assets</b>		
Net assets without donor restrictions	2,072,835	2,248,098
Net assets without donor restrictions - government-funded programs	8,707,786	5,002,644
	10,780,621	7,250,742
Net assets with donor restrictions	461,267	311,274
Total net assets	11,241,888	7,562,016
Total liabilities and net assets	<b>\$ 12,374,444</b>	<b>\$ 11,579,171</b>

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, 2022**

	<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	\$ -	\$ 22,602,377	\$ -	\$ 22,602,377
City of Philadelphia	1,600	-	42,763	44,363
Foundation	425,191	2,500	9,000	436,691
Nongovernment meal receipts	-	339,760	-	339,760
Contributions from Operation Rice Bowl	-	-	77,945	77,945
Contributions - other	26,479	-	36,397	62,876
Subsidy from Catholic Charities Appeal Fund	160,100	-	-	160,100
Forgiveness of loan	15,446	506,915	-	522,361
Investment income	(221,875)	3,218	-	(218,657)
Other income	58,686	-	87,850	146,536
Net assets released from restrictions	103,962	-	(103,962)	-
	<u>569,589</u>	<u>23,454,770</u>	<u>149,993</u>	<u>24,174,352</u>
<b>Total revenue</b>				
<b>Expenses</b>				
Food costs	331,738	13,671,037	-	14,002,775
Compensation	228,616	2,076,593	-	2,305,209
Office	31,006	185,115	-	216,121
Transportation	11,477	43,347	-	54,824
Fixed charges	1,269	113,122	-	114,391
Program administration	136,107	3,478,619	-	3,614,726
Depreciation	4,639	181,795	-	186,434
	<u>744,852</u>	<u>19,749,628</u>	<u>-</u>	<u>20,494,480</u>
<b>Total expenses</b>				
	<u>(175,263)</u>	<u>3,705,142</u>	<u>149,993</u>	<u>3,679,872</u>
<b>CHANGE IN NET ASSETS</b>				
<b>Net assets</b>				
Beginning of year	<u>2,248,098</u>	<u>5,002,644</u>	<u>311,274</u>	<u>7,562,016</u>
End of year	<u>\$ 2,072,835</u>	<u>\$ 8,707,786</u>	<u>\$ 461,267</u>	<u>\$ 11,241,888</u>

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, 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)	-
	<u>1,402,876</u>	<u>20,492,924</u>	<u>113,390</u>	<u>22,009,190</u>
<b>Total revenue</b>				
<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
	<u>566,634</u>	<u>22,497,115</u>	<u>-</u>	<u>23,063,749</u>
<b>Total expenses</b>				
	<u>836,242</u>	<u>(2,004,191)</u>	<u>113,390</u>	<u>(1,054,559)</u>
<b>CHANGE IN NET ASSETS</b>				
<b>Net assets</b>				
Beginning of year	<u>1,411,856</u>	<u>7,006,835</u>	<u>197,884</u>	<u>8,616,575</u>
End of year	<u>\$ 2,248,098</u>	<u>\$ 5,002,644</u>	<u>\$ 311,274</u>	<u>\$ 7,562,016</u>

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>2022</u>	<u>2021</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 3,679,872	\$ (1,054,559)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	186,434	208,167
Forgiveness of loan	(522,361)	(546,997)
Realized and unrealized losses (gains) on investments	248,334	(358,444)
Changes in assets and liabilities		
Grants receivable	2,226,752	(2,160,979)
Other receivables	(41,871)	13,182
Inventory	(3,014)	134,998
Accounts payable and accrued expenses	(2,362,238)	2,491,575
Deferred revenue	-	(80,000)
	<u>3,411,908</u>	<u>(1,353,057)</u>
Net cash provided by (used in) operating activities		
<b>Cash flows from investing activities</b>		
Purchases of equipment	(111,504)	(85,263)
Purchases of investments	(677,332)	(247,667)
Sales of investments	240,166	232,582
	<u>(548,670)</u>	<u>(100,348)</u>
Net cash used in investing activities		
<b>Cash flows from financing activities</b>		
Proceeds from loan payable	-	522,361
	<u>-</u>	<u>522,361</u>
Net cash provided by financing activities		
<b>NET INCREASE (DECREASE) IN CASH</b>	2,863,238	(931,044)
<b>Cash</b>		
Beginning of year	<u>2,558,146</u>	<u>3,489,190</u>
End of year	<u>\$ 5,421,384</u>	<u>\$ 2,558,146</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, 2022 and 2021**

**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. Due to the impact of COVID-19, 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 \$522,361 and \$546,997 during the years ended June 30, 2021 and 2020, respectively. The loans were forgiven by the Small Business Administration (“SBA”) and were recorded as revenue on the statement of activities and changes in net assets for the years ended June 30, 2022 and 2021, respectively.

During 2022, the child nutrition programs also benefitted from other COVID-19 assistance programs that were instituted by the United States Department of Agriculture (“USDA”). NDS received and recognized as revenue emergency operation cost funding and supply chain assistance of \$1,413,087 and \$574,449, respectively, for the year ended June 30, 2022. Additionally, waivers were provided where all meals served at schools during the year were reimbursed at a higher rate.

NDS continues to be affected by increasing costs due to rising labor rates, supply chain disruptions, and food shortages for the programs it sponsors. With the additional funding, emergency waivers and flexibility provided by the 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.

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, the Pennsylvania Department of Education (“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 Child and Adult Care Food Program (“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. In the interim, NDS submitted the CACFP budget for 2021-22 and the same expenses were disallowed. In an attempt to avoid a hearing, PDE recommended mediation; three sessions occurred over the next few months. NDS provided additional information and involved senior level officials from the Archdiocese, however there was no resolution to the dispute. As of the date of issuance of the financial statements, NDS is contemplating a settlement offered by PDE. The CACFP budget for 2022-23 was submitted and the related party costs were disallowed.

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2022 and 2021**

**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.

*Net assets without donor restrictions* are free of donor-imposed restrictions. Included in these funds are \$1,930,448 and \$1,741,616 of board-designated investments as of June 30, 2022 and 2021, 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

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2022 and 2021**

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.

***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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 5,421,384	\$ 2,558,146
Grants receivable	3,246,920	5,473,672
Other receivables	<u>131,720</u>	<u>89,849</u>
	8,800,024	8,121,667
Investments - board designated	<u>1,930,448</u>	<u>1,741,616</u>
Financial assets available to management	10,730,472	9,863,283
Current liabilities	<u>(1,132,554)</u>	<u>(3,494,794)</u>
Assets available to management less current liabilities	<u>\$ 9,597,918</u>	<u>\$ 6,368,489</u>

Assets available to management include expected proceeds from government grants of \$3,246,920, other receivables of \$131,720, and cash from government-funded programs of \$4,880,737, which are under

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2022 and 2021**

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.

***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.

**NOTE D - EQUIPMENT, NET**

Equipment at June 30 consisted of:

	<u>2022</u>	<u>2021</u>
Equipment at schools	\$ 3,244,277	\$ 3,140,656
Office equipment	<u>1,005,436</u>	<u>997,553</u>
	4,249,713	4,138,208
Less: accumulated depreciation	<u>(3,179,495)</u>	<u>(2,993,061)</u>
	<u>\$ 1,070,218</u>	<u>\$ 1,145,148</u>

Depreciation expense for the years ended June 30, 2022 and 2021 amounted to \$186,434 and \$208,167, respectively.

**NOTE E - INVESTMENTS**

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

	<u>2022</u>	<u>2021</u>
Cash	\$ 208,815	\$ 60,095
Mutual funds	469,504	451,350
Equities	1,019,236	972,156
Alternative investments	<u>232,893</u>	<u>258,015</u>
	<u>\$ 1,930,448</u>	<u>\$ 1,741,616</u>

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2022 and 2021**

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

	2022	2021
Dividend and interest income	\$ 29,020	\$ 27,257
Realized gains, net	28,613	24,024
Unrealized (losses) gains, net	(276,290)	334,512
	\$ (218,657)	\$ 385,793

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, 2022 and 2021**

The following tables present the fair values of the investments held by NDS by level within the fair value hierarchy as of June 30, 2022 and 2021:

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
2022				
Cash	\$ 208,815	\$ -	\$ -	\$ 208,815
Mutual funds	469,504	-	-	469,504
Equities	<u>1,019,236</u>	<u>-</u>	<u>-</u>	<u>1,019,236</u>
	<u>\$ 1,697,555</u>	<u>\$ -</u>	<u>\$ -</u>	
Alternative investments at NAV				<u>232,893</u>
Total assets				<u>\$ 1,930,448</u>
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
2021				
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>

During 2022 and 2021, 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, 2022 and 2021**

**NOTE G - OPERATING LEASES**

NDS has non-cancellable operating leases for two copiers and one vehicle. Future minimum rental payments, which extend to 2025, for non-cancellable lease terms in excess of one year as of June 30, 2022 are as follows:

2023	\$	11,916
2024		11,916
2025		<u>8,238</u>
	\$	<u>32,070</u>

Rental expense related to these leases for each of the years ended June 30, 2022 and 2021 was \$10,776 and \$7,680, 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, 2022 and 2021, respectively. The amount expensed by NDS for contributions to the Plan was \$97,722 and \$101,452 for the fiscal years ended June 30, 2022 and 2021, 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, 2022 and 2021**

In fiscal years 2022 and 2021, 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 \$74,534 and \$77,379 for the years ended June 30, 2022 and 2021, 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 2022 and 2021, approximately 690,000 and 921,000 pounds of food, respectively, with an estimated fair value of \$1,173,000 and \$1,566,000, 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, 2022 and 2021.

<u>2022</u>	<u>Program</u>	<u>Supporting Management and General</u>	<u>Total Expenses Year Ended June 30, 2022</u>
Food costs	\$ 14,002,775	\$ -	\$ 14,002,775
Compensation	45,663	2,259,546	2,305,209
Office	-	216,121	216,121
Transportation	54,824	-	54,824
Fixed charges	-	114,391	114,391
Program administration	3,614,726	-	3,614,726
Depreciation	186,434	-	186,434
	<u>\$ 17,904,422</u>	<u>\$ 2,590,058</u>	<u>\$ 20,494,480</u>
Total expenses			

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

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2022 and 2021**

<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>
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 2022 and 2021, a total of \$35,545 and \$38,428, respectively, was purchased by the students, of which \$4,833 and \$6,159 was included in other receivables at June 30, 2022 and 2021, 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 \$160,100 and \$150,000 for the years ended June 30, 2022 and 2021, respectively. Additionally, Catholic Charities through a separate annual appeal raises funds to be used for program costs by the Community Food Program and contributed \$408,179 and \$531,925 for the years ended June 30, 2022 and 2021, respectively.

NDS also receives funds from 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 Rice Bowl for the years ended June 30, 2022 and 2021 were \$77,945 and \$53,444, 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, 2022 and 2021. 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, 2022 and 2021, NDS has amounts payable to CSS totaling \$28,706 and \$29,353, 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, 2022 and 2021**

**NOTE M - SUBSEQUENT EVENTS**

NDS evaluated events subsequent to June 30, 2022 and through November 10, 2022, 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.

REQUIRED SUPPLEMENTARY INFORMATION

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

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

Year ended June 30, 2022

	<b>School-Based Program</b>	<b>Seamless Summer Option</b>	<b>Child Care Program</b>	<b>Community Food</b>	<b>Food Program Admin</b>	<b>CFP Annual Appeal</b>	<b>Total All Programs</b>
<b>Revenue</b>							
Grants							
Federal government	\$ 1,157,079	\$ 17,385,100	\$ 4,060,198	\$ -	\$ -	\$ -	\$ 22,602,377
City of Philadelphia	-	-	-	42,763	1,600	-	44,363
Foundation	-	2,500	-	9,000	17,012	408,179	436,691
Nongovernment meal receipts	22,468	2,414	314,878	-	-	-	339,760
Contributions from Rice Bowl	-	-	-	77,945	-	-	77,945
Contributions - other	-	-	-	36,397	26,479	-	62,876
Subsidy from Catholic Charities Appeal Fund	-	-	-	-	160,100	-	160,100
Forgiveness of loan	70,958	331,436	104,521	-	15,446	-	522,361
Interest income (expense)	430	2,359	429	-	66	(221,941)	(218,657)
Other income	-	-	-	87,850	58,686	-	146,536
<b>Total revenue</b>	<b>1,250,935</b>	<b>17,723,809</b>	<b>4,480,026</b>	<b>253,955</b>	<b>279,389</b>	<b>186,238</b>	<b>24,174,352</b>
<b>Expenses</b>							
Food costs	497,679	10,145,116	3,028,242	150,018	-	181,720	14,002,775
Compensation	267,199	1,231,204	578,190	-	228,616	-	2,305,209
Office	47,686	54,476	82,953	-	21,227	9,779	216,121
Transportation	14,071	17,534	11,742	-	11,477	-	54,824
Fixed charges	73,280	8,926	30,916	-	1,269	-	114,391
Program administration	208,769	3,162,611	107,239	-	28,983	107,124	3,614,726
Depreciation	175,279	1,425	5,091	-	4,639	-	186,434
<b>Total expenses</b>	<b>1,283,963</b>	<b>14,621,292</b>	<b>3,844,373</b>	<b>150,018</b>	<b>296,211</b>	<b>298,623</b>	<b>20,494,480</b>
<b>CHANGE IN NET ASSETS</b>	<b>(33,028)</b>	<b>3,102,517</b>	<b>635,653</b>	<b>103,937</b>	<b>(16,822)</b>	<b>(112,385)</b>	<b>3,679,872</b>
<b>Net assets (deficiency)</b>							
Beginning of year	7,420,117	(2,430,826)	13,352	311,273	(97,453)	2,345,553	7,562,016
End of year	\$ 7,387,089	\$ 671,691	\$ 649,005	\$ 415,210	\$ (114,275)	\$ 2,233,168	\$ 11,241,888

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

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

Year ended June 30, 2021

	<b>School-Based Program</b>	<b>Seamless Summer Option</b>	<b>Child Care Program</b>	<b>Community Food</b>	<b>Food Program Admin</b>	<b>CFP Annual Appeal</b>	<b>Total All Programs</b>
<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
<b>Total revenue</b>	<b>1,286,491</b>	<b>16,970,069</b>	<b>2,236,362</b>	<b>347,069</b>	<b>256,056</b>	<b>913,143</b>	<b>22,009,190</b>
<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
<b>Total expenses</b>	<b>1,763,359</b>	<b>18,149,379</b>	<b>2,584,376</b>	<b>233,680</b>	<b>223,967</b>	<b>108,988</b>	<b>23,063,749</b>
<b>CHANGE IN NET ASSETS</b>	<b>(476,868)</b>	<b>(1,179,310)</b>	<b>(348,014)</b>	<b>113,389</b>	<b>32,089</b>	<b>804,155</b>	<b>(1,054,559)</b>
<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	\$ 7,420,117	\$ (2,430,826)	\$ 13,352	\$ 311,273	\$ (97,453)	\$ 2,345,553	\$ 7,562,016

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

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

Year ended June 30, 2022

Federal Grantor/Pass-through Grantor/Program Title	Assistance Listing Number	Pass-through Grantor's Number	Program Expenditures per Fiscal Year 2022
<u>Federal Awards</u>			
Department of Agriculture			
Child Nutrition Cluster			
VPI Commodity Pilot	10.555	N/A	\$ 1,366,159
Total direct awards			<u>1,366,159</u>
Pass-through from Pennsylvania Department of Education			
National School Lunch Program	10.555	226-51053-2/326-51005-4	12,719,364
School Breakfast Program	10.553	226-51053-2/326-51005-4	3,807,509
Fresh Fruit and Vegetable Program	10.582	226-51053-2	111,427
Special Milk Program for Children	10.556	226-51053-2	22,871
After School Snack Program	10.555	326-51005-4	19,917
			<u>16,681,088</u>
Total Child Nutrition Cluster			18,047,247
Pass-through from Pennsylvania Department of Education			
Child and Adult Care Program	10.558	226-51053-2	4,060,198
P-EBT Local Administrative Funds	10.649	226-51053-2/326-51005-4	6,428
Total expenditures of federal awards			<u>22,113,873</u>
<u>State Awards</u>			
National School Lunch Program	N/A	N/A	337,643
School Breakfast Program	N/A	N/A	150,861
Total expenditures of state awards			<u>488,504</u>
Total expenditures of federal and state awards			<u>\$ 22,602,377</u>

The accompanying notes to the Schedule of Expenditures of Federal and State Awards are an integral part of this schedule.

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

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

**Year ended June 30, 2022**

**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	\$ 337,643
School Breakfast Program	<u>150,861</u>
	<u>\$ 488,504</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, 2022**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Pass-through Grantor's Number</u>	<u>Program Expenditures Received per Fiscal Year 2022</u>
<u>Federal Awards</u>			
Department of Agriculture			
Child Nutrition Cluster			
VPI Commodity Pilot	10.555	N/A	\$ 1,366,159
Total direct awards			<u>1,366,159</u>
Pass-through from Pennsylvania Department of Education			
National School Lunch Program	10.555	226-51053-2/326-51005-4	14,049,926
School Breakfast Program	10.553	226-51053-2/326-51005-4	4,945,058
Fresh Fruit and Vegetable Program	10.582	226-51053-2	101,049
Special Milk Program for Children	10.556	226-51053-2	22,940
After School Snack Program	10.555	326-51005-4	21,939
Total Child Nutrition Cluster			<u>19,140,912</u>
Total Child Nutrition Cluster			20,507,071
Child and Adult Care Program	10.558	226-51053-2	3,708,079
P-EBT Administrative Funds	10.649	226-51053-2/326-51005-4	6,428
Total expenditures of federal awards			<u>24,221,578</u>
<u>State Awards</u>			
National School Lunch Program	N/A	N/A	402,688
School Breakfast Program	N/A	N/A	204,863
Total expenditures of state awards			<u>607,551</u>
Total expenditures of federal and state awards			<u>\$ 24,829,129</u>

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## **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 (*Government Auditing Standards*), 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, 2022, 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 10, 2022.

### **Report on 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 the Entity's 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 internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Report on 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*.

**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 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 10, 2022

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## **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**

#### **Opinion on 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 identified as subject to audit in the U.S. Office of Management and Budget's *OMB Compliance Supplement* that could have a direct and material effect on each of the Entity's major federal programs for the year ended June 30, 2022. 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.

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, 2022.

#### **Basis for opinion on each major federal program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (US GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Entity 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Entity's compliance with the compliance requirements referred to above.

#### **Responsibilities of management for compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Entity's federal programs.

### **Auditor's responsibilities for the audit of compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Entity's compliance based on our audit. 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 US GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Entity's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with US GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Entity's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Entity's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2022-001, that we consider to be a significant deficiency in the Entity's internal control over compliance.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Entity's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Entity's response was not subjected to the other auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the Entity's response.

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 10, 2022

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the year ended June 30, 2022**

**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)?	<u>X</u>	yes	_____	_____	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?	<u>X</u>	yes	_____	no
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**Identification of the major federal programs:**

<u>Assistance Listing Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555/10.556/10.582 10.558	Child Nutrition Cluster Child and Adult Care Program

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	<u>X</u>	yes	_____	no
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**SECTION II - FINANCIAL STATEMENT FINDINGS**

No matters required to be reported.

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

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

**For the year ended June 30, 2022**

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

**Finding 2022-001: Procurement Suspension & Debarment**

**Federal Agency and Programs:**

AL numbers 10.553/10.555/10.556/10.558/10.582  
U.S. Department of Education  
Child Nutrition Cluster and Child and Adult Care Program  
Award Period: July 1, 2021 – June 30, 2022

**Criteria:** Non-federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. "Covered transactions" include contracts for goods and services awarded under a non-procurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other criteria as specified in 2 CFR section 180.220.

**Condition and Context:** Management had procurement policies in place in accordance with the Federal requirements as noted above, however, the entity did not follow these policies during the year ended June 30, 2022.

**Cause:** While management has an established control in place to evaluate significant vendors, it was not followed in all instances due to employee turnover.

**Effect:** Evaluation of vendors was not completed in all required instances.

**Questioned costs:** None.

**Repeat Finding:** No.

**Recommendation:** While noncompliance was not identified, we recommend that management adheres consistently to its policies around the evaluation of all vendors to determine whether they are suspended or debarred before entering into covered transactions to mitigate the risk of noncompliance.

**Views of Responsible Officials:** Management followed the procurement policies that were in place in circumstances where the vendor was determined to be significant relative to the operations of the entity, but they were not followed in all circumstances where required. Management will ensure the procurement policies in place are followed.



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

**SUMMARY OF PRIOR YEAR AUDIT FINDINGS**

**For the year ended June 30, 2022**

No matters required to be reported.



## **NUTRITIONAL DEVELOPMENT SERVICES**

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Archdiocese of Philadelphia  
222 N. 17th Street, Philadelphia, PA 19103  
Phone: 215-895-3470, Fax: 215-895-0830

### **Finding 2022-001: Procurement Suspension & Debarment Federal Agency and Programs:**

AL numbers 10.553/10.555/10.556/10.558

U.S. Department of Education

Child Nutrition Cluster and Child and Adult Care Program

Award Period: July 1, 2021 – June 30, 2022

The Assistant Director for Operations and Finance, Christopher Wurster, will be responsible to ensure that the organization is compliant with the finding in the 6/30/22 audit. He will do the following:

- Identify all vendors that are paid \$25,000 dollars or more a year.
- Evaluate each vendor to ensure that they are not suspended or debarred. Vendors that are suspended or debarred will not be used.
- Document that this process and its results.
- This process will be completed by June 15, 2023 for the next fiscal year.

Contact Information: [cwurster@ndsarch.org](mailto:cwurster@ndsarch.org)  
215.895.3470