

The Catholic Charities of the Diocese of Arlington, Inc.

Financial Statements

**As of June 30, 2023 and 2022
and Report Thereon**



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The Catholic Charities of the Diocese of Arlington, Inc.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Catholic Charities of the Diocese of Arlington, Inc.
Arlington, Virginia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The Catholic Charities of the Diocese of Arlington, Inc., a nonprofit corporation, which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Catholic Charities of the Diocese of Arlington, Inc., as of June 30, 2023 and 2022, 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 in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Catholic Charities of the Diocese of Arlington, Inc., 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.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, in fiscal year 2023 the Organization adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

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 Catholic Charities of the Diocese of Arlington, Inc.'s ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

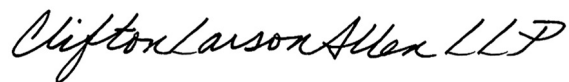
Other Matters

Other Information – Schedule of Expenditures of Federal Awards

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. 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, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including 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 GAAS. In our opinion, the 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 March 25, 2024, on our consideration of The Catholic Charities of the Diocese of Arlington, Inc.'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 result of that testing, and not to provide an opinion on the effectiveness of The Catholic Charities of the Diocese of Arlington, Inc.'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 Catholic Charities of the Diocese of Arlington, Inc.'s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Arlington, Virginia
March 25, 2024

The Catholic Charities of the Diocese of Arlington, Inc.
Statements of Financial Position
As of June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Cash and cash equivalents	\$ 17,155,341	\$ 18,513,706
Accounts receivable, less allowance for doubtful accounts of \$17,666 and \$18,265, respectively	3,831,427	1,349,231
Investments	17,961,318	16,549,643
Beneficial Interest in Asset Held on Our Behalf	-	898,800
Fixed assets, less accumulated depreciation of \$1,914,133 and \$1,769,356, respectively	675,544	786,696
Right of Use Assets - Operating	3,485,680	-
Right of Use Assets - Financing	223,319	-
Other assets	173,368	142,478
Total assets	<u>\$ 43,505,997</u>	<u>\$ 38,240,554</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 218,086	\$ 149,486
Accrued expenses		
Pension	454,703	674,792
Payroll	954,304	771,988
Other	261,909	366,290
Other liabilities		
Annuity	77,256	89,528
Operating Lease Liabilities	3,621,719	-
Financing Lease Liabilities	226,282	-
Total liabilities	<u>5,814,259</u>	<u>2,052,084</u>
Net assets		
Without donor restrictions		
Operating	13,441,939	13,810,183
Plant	675,544	786,696
Total without donor restrictions	<u>14,117,483</u>	<u>14,596,879</u>
With donor restrictions		
Total net assets	<u>23,574,255</u>	<u>21,591,591</u>
Total net assets	<u>37,691,738</u>	<u>36,188,470</u>
Total liabilities and net assets	<u>\$ 43,505,997</u>	<u>\$ 38,240,554</u>

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

The Catholic Charities of the Diocese of Arlington, Inc.
Statement of Activities
For the year ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues and support			
Fundraising	\$ 2,495,324	\$ -	\$ 2,495,324
The Chancery	2,512,190	-	2,512,190
Third Party Giving/CFC	162,512	2,190	164,702
Program services	692,246	-	692,246
Government grants and contracts	6,656,187	-	6,656,187
Contributions	4,867,160	1,039,148	5,906,308
Contributions of Nonfinancial Assistance (Inkind)	5,591,175	-	5,591,175
Interest income	263,735	336,869	600,604
Miscellaneous income	186,395	-	186,395
Net assets released from restriction	548,969	(548,969)	-
	<u>23,975,893</u>	<u>829,238</u>	<u>24,805,131</u>
Operating expenses			
Program services			
Adoption & Children Services	533,618	-	533,618
Counseling & Health	4,062,682	-	4,062,682
Food & Emergency Assistance	6,347,062	-	6,347,062
Hogar Immigrant Services	2,135,446	-	2,135,446
Migration and Refugee Services	6,469,154	-	6,469,154
Parish & Community Engagement	386,659	-	386,659
Senior Services	326,359	-	326,359
Transformational Housing	1,373,160	-	1,373,160
Supporting services			
Management and general	2,774,305	-	2,774,305
Fundraising	971,939	-	971,939
	<u>25,380,384</u>	<u>-</u>	<u>25,380,384</u>
Change in net assets from operations	<u>(1,404,491)</u>	<u>829,238</u>	<u>(575,253)</u>
Other changes in net assets			
Minimum pension liability	201,803	-	201,803
Leadership Initiative	-	12,058	12,058
Investment gain	1,020	1,851,368	1,852,388
Endowment Appropriations	710,000	(710,000)	-
Change in value of Annuity Payable	12,272	-	12,272
	<u>(479,396)</u>	<u>1,982,664</u>	<u>1,503,268</u>
Total change in net assets	<u>(479,396)</u>	<u>1,982,664</u>	<u>1,503,268</u>
Net assets, beginning of year	<u>14,596,879</u>	<u>21,591,591</u>	<u>36,188,470</u>
Net assets, end of year	<u>\$ 14,117,483</u>	<u>\$ 23,574,255</u>	<u>\$ 37,691,738</u>

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

The Catholic Charities of the Diocese of Arlington, Inc.
Statement of Activities
For the year ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues and support			
Fundraising	\$ 1,973,866	\$ -	\$ 1,973,866
The Chancery	2,614,182	-	2,614,182
Third Party Giving/CFC	163,918	2,736	166,654
Program services	790,451	-	790,451
Government grants and contracts	5,865,109	-	5,865,109
Contributions	4,326,244	578,946	4,905,190
Contributions of Nonfinancial Assistance (Inkind)	4,199,012	-	4,199,012
Beneficial Interest in Asset Held on Our Behalf	-	898,800	898,800
Interest income	254,341	253,831	508,172
Miscellaneous income	225,664	-	225,664
Net assets released from restriction	1,633,739	(1,633,739)	-
	<u>22,046,526</u>	<u>100,574</u>	<u>22,147,100</u>
Total operating revenues and support			
Operating expenses			
Program services			
Adoption & Children Services	494,079	-	494,079
Counseling & Health	3,174,252	-	3,174,252
Food & Emergency Assistance	5,554,328	-	5,554,328
Hogar Immigrant Services	1,787,792	-	1,787,792
Migration and Refugee Services	6,085,007	-	6,085,007
Parish & Community Engagement	212,293	-	212,293
Senior Services	374,869	-	374,869
Transformational Housing	1,191,427	-	1,191,427
Supporting services			
Management and general	1,961,570	-	1,961,570
Fundraising	904,757	-	904,757
Total operating expenses	<u>21,740,374</u>	<u>-</u>	<u>21,740,374</u>
Change in net assets from operations	<u>306,152</u>	<u>100,574</u>	<u>406,726</u>
Other changes in net assets			
Minimum pension liability	(6,422)	-	(6,422)
Leadership Initiative	-	289,885	289,885
Investment gain (loss)	(4,658)	(3,939,385)	(3,944,043)
Endowment Appropriations	630,000	(630,000)	-
Change in value of Annuity Payable	4,630	-	4,630
Total change in net assets	<u>929,702</u>	<u>(4,178,926)</u>	<u>(3,249,224)</u>
Net assets, beginning of year	<u>13,667,177</u>	<u>25,770,517</u>	<u>39,437,694</u>
Net assets, end of year	<u>\$ 14,596,879</u>	<u>\$ 21,591,591</u>	<u>\$ 36,188,470</u>

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

The Catholic Charities of the Diocese of Arlington, Inc.
Statements of Cash Flows
For the years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ 1,503,268	\$ (3,249,224)
Adjustments to reconcile change in net assets to net cash and cash equivalents provided/(used) by operating activities		
Depreciation of furniture and equipment	171,749	183,811
Amortization of right of use asset	987,116	-
Unrealized (gains) losses on investments	(1,813,098)	5,544,873
Realized gains on investments	(38,270)	(1,605,489)
Change in value of annuity	(12,272)	(4,630)
(Increase) in accounts receivable, net	(2,482,196)	(630,086)
(Increase)/Decrease in other assets	867,910	(14,835)
Increase/(Decrease) in accounts payable	68,600	(22,518)
Increase/(Decrease) in accrued expenses	(142,154)	375,449
Increase/(Decrease) in operating lease liabilities	(820,316)	0
Contributions restricted for long-term investment	-	(900,236)
Net cash and cash equivalents used by operating activities	<u>(1,709,663)</u>	<u>(322,885)</u>
Cash flows from investing activities		
Net proceeds/(purchase) of investments	439,693	(508,449)
Purchase of fixed assets	(60,597)	(194,581)
Net cash and cash equivalents provided (used) by investing activities	<u>379,096</u>	<u>(703,030)</u>
Cash flows from financing activities		
Proceeds from contributions restricted for investment in endowment	-	900,236
Payments on Financing Leases	(27,798)	-
Net cash and cash equivalents provided/(used) by financing activities	<u>(27,798)</u>	<u>900,236</u>
Net decrease in cash and cash equivalents	(1,358,365)	(125,679)
Cash and cash equivalents, at beginning of year	18,513,706	18,639,385
Cash and cash equivalents, at end of year	<u>\$ 17,155,341</u>	<u>\$ 18,513,706</u>

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

The Catholic Charities of the Diocese of Arlington, Inc.
Statement of Functional Expenses
For the year ended June 30, 2023

	Program Services								Supporting Services			Total 2023	
	Adoption & Children Services	Counseling & Health	Food & Emergency Assistance	Hogar Immigrant Services	Migrant & Refugee Services	Parish & Community Engagement	Senior Services	Transformational Housing	Total Program Services	Management and General	Fundraising		Total Supporting Services
Expenses													
Compensation	\$ 429,186	\$ 1,494,018	\$ 1,468,783	\$ 1,671,894	\$ 3,946,308	\$ 220,926	\$ 229,387	\$ 1,037,077	\$ 10,497,579	\$ 1,978,135	\$ 86,137	\$ 2,064,272	\$ 12,561,851
Direct Nonfinancial Assistance (Inkind)	-	2,129,066	3,389,405	11,646	27,283	4,000	7,702	10,205	5,579,307	-	11,868	11,868	5,591,175
Direct Financial Assistance (Cash)	3,425	876	880,404	2,814	1,769,688	68,709	2,676	19,309	2,747,901	138	-	138	2,748,039
Occupancy	49,828	169,651	342,001	230,554	387,468	51,860	51,312	132,292	1,414,966	223,561	1,500	225,061	1,640,027
Professional fees	5,811	50,719	19,277	10,796	43,338	10,023	1,656	6,361	147,981	402,254	439,284	841,538	989,519
Supplies	1,641	86,065	77,090	28,823	71,547	1,694	7,538	31,593	305,991	38,067	206,143	244,210	550,201
Printing & publications	1,084	3,129	10,246	40,831	7,262	1,157	165	1,681	65,555	2,796	115,757	118,553	184,108
Travel	10,844	7,810	71,694	10,081	86,054	1,164	880	2,294	190,821	-	511	511	191,332
Telephone & Internet	9,797	34,312	21,202	26,414	44,546	1,125	5,599	16,215	159,210	8,581	-	8,581	167,791
Postage & handling	386	320	1,977	5,456	506	1,897	218	131	10,891	6,462	33,790	40,252	51,143
Rental & maintenance	1,699	13,717	8,636	12,786	12,759	1,367	3,396	7,806	62,166	5,607	-	5,607	67,773
Conferences, conventions	1,567	4,981	2,360	4,769	6,810	675	4,063	2,273	27,498	14,558	-	14,558	42,056
Depreciation and Amortization	-	11,979	33,821	5,851	3,358	-	5,620	92,735	153,364	30,761	18,385	49,146	202,510
Miscellaneous	18,350	56,039	20,166	72,731	62,227	22,062	6,147	13,188	270,910	63,385	58,564	121,949	392,859
Total expenses	<u>\$ 533,618</u>	<u>\$ 4,062,682</u>	<u>\$ 6,347,062</u>	<u>\$ 2,135,446</u>	<u>\$ 6,469,154</u>	<u>\$ 386,659</u>	<u>\$ 326,359</u>	<u>\$ 1,373,160</u>	<u>\$ 21,634,140</u>	<u>\$ 2,774,305</u>	<u>\$ 971,939</u>	<u>\$ 3,746,244</u>	<u>\$ 25,380,384</u>

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

The Catholic Charities of the Diocese of Arlington, Inc.
Statement of Functional Expenses
For the year ended June 30, 2022

	Program Services								Supporting Services			Total 2022	
	Adoption & Children Services	Counseling & Health	Food & Emergency Assistance	Hogar Immigrant Services	Migrant & Refugee Services	Parish & Community Engagement	Senior Services	Transformational Housing	Total Program Services	Management and General	Fundraising		Total Supporting Services
Expenses													
Compensation	\$ 370,173	\$ 1,290,415	\$ 1,297,828	\$ 1,306,645	\$ 3,049,073	\$ 96,771	\$ 226,286	\$ 897,688	\$ 8,534,879	\$ 1,198,126	\$ 357,680	\$ 1,555,806	\$ 10,090,685
Direct Nonfinancial Assistance (Inkind)	-	1,458,172	2,554,909	64,685	68,401	8,568	13,545	10,330	4,178,610	-	11,942	11,942	4,190,552
Direct Financial Assistance (Cash)	14,688	1,430	1,077,977	1,054	2,270,134	30,796	1,281	8,880	3,406,240	-	-	-	3,406,240
Occupancy	49,307	163,962	340,935	211,399	260,354	44,809	100,999	108,819	1,280,584	108,451	8,637	117,088	1,397,672
Professional fees	19,288	55,169	36,240	33,385	89,530	13,658	2,728	13,028	263,026	372,814	132,310	505,124	768,150
Supplies	1,629	91,290	76,301	20,844	123,801	1,210	3,488	15,649	334,212	20,701	163,910	184,611	518,823
Printing & publications	227	1,877	12,338	18,933	4,742	1,443	10	1,306	40,876	6,437	92,576	99,013	139,889
Travel	6,789	4,157	71,636	2,868	41,344	1,267	1,390	2,053	131,504	13,528	1,060	14,588	146,092
Telephone & Internet	8,428	30,542	20,456	18,085	33,387	-	9,053	14,695	134,646	523	-	523	135,169
Postage & handling	735	382	556	5,070	923	21	118	297	8,102	8,931	36,567	45,498	53,600
Rental & maintenance	1,987	13,966	9,509	12,805	11,734	913	3,456	6,578	60,948	3,108	-	3,108	64,056
Conferences, conventions	1,154	4,996	2,715	5,799	2,672	353	847	1,421	19,957	19,010	-	19,010	38,967
Depreciation	-	16,341	28,307	4,818	18,633	-	6,687	92,718	167,504	-	16,307	16,307	183,811
Miscellaneous	19,674	41,553	24,621	81,402	110,279	12,484	4,981	17,965	312,959	209,941	83,768	293,709	606,668
Total expenses	<u>\$ 494,079</u>	<u>\$ 3,174,252</u>	<u>\$ 5,554,328</u>	<u>\$ 1,787,792</u>	<u>\$ 6,085,007</u>	<u>\$ 212,293</u>	<u>\$ 374,869</u>	<u>\$ 1,191,427</u>	<u>\$ 18,874,047</u>	<u>\$ 1,961,570</u>	<u>\$ 904,757</u>	<u>\$ 2,866,327</u>	<u>\$ 21,740,374</u>

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

The Catholic Charities of the Diocese of Arlington, Inc.

Notes to the Financial Statements

For the years ended June 30, 2023 and 2022

1. Nature of operations

The Catholic Charities of the Diocese of Arlington, Inc. (Catholic Charities) was incorporated in 1977 under the provisions of Chapter 2 of the Code of the Commonwealth of Virginia. The Bishop of Arlington (the Ordinary) is the sole member of the corporation which has a Board of Directors (Board) with an authorized membership of up to 21 persons. Formerly, under Catholic Charities of Northern Virginia, which had roots in the community since 1947, the Catholic Charities was created to improve the scope and impact of services to 21 counties and seven independent cities in Northern Virginia.

Catholic Charities was organized to conduct, coordinate, develop and promulgate programs and activities concerned with the personal, economic and social welfare needs of families, children and individuals in the Catholic Diocese of Arlington, Virginia (Diocese). Catholic Charities, while separate and apart from the Central Administrative Office of the Catholic Diocese of Arlington (the Chancery), conducts programs in cooperation with, and parallel to, certain Diocesan programs.

Catholic Charities serves the poor, disenfranchised, disadvantaged, and vulnerable through programs operating at more than fifteen sites. Work is performed by a staff of about 215 employees and more than 3,000 volunteers.

2. Basis of presentation and summary of significant accounting policies

Basis of accounting and presentation

The financial statements of Catholic Charities are prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles in the United States of America.

Cash and cash equivalents

Non-operating cash/funds are invested in the Diocesan Investment and Loan (DIAL) fund. The DIAL fund represents a cooperative savings and loan program established for the mutual benefit of the Diocese's members, including Catholic Charities. Total cash deposited in the DIAL fund was \$17,077,939 and \$17,690,205 at June 30, 2023 and 2022, respectively, with interest income earned at 2.00%. Amounts on deposit in DIAL may be withdrawn on demand.

Receivables

Receivables are stated at the amount management expects to collect from outstanding balances. Catholic Charities provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the status of accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and credit to accounts receivable. Accounts receivable are not collateralized.

Investments

Realized and unrealized gains and losses from securities in a master pooled investment account, managed by the Diocese, are allocated monthly to the individual pool participants based on the relationship of the market value of each pool participant to the total market value of the master pooled investment account, as adjusted for additions to or deductions from those accounts.

The Catholic Charities of the Diocese of Arlington, Inc.

Notes to the Financial Statements

For the years ended June 30, 2023 and 2022

2. Basis of presentation and summary of significant accounting policies (Continued)

Investment valuation and beneficial interest in investment trust

The Catholic Investment Trust of Arlington (CITA) was established as a nontaxable grantors' trust for the purpose to hold, invest, preserve, reinvest and manage contributions for participating affiliates (grantors), including Catholic Charities (Note 4). Catholic Charities' beneficial interest (investment) in the CITA is stated at fair value, determined by the separate account maintained for Catholic Charities which is credited for additions and allocated investment gains and charged for withdrawals and allocated investment losses and expenses.

Fixed assets

Fixed assets, consisting of office furnishings and equipment, leasehold improvements and automobiles, are capitalized at cost when purchased or at fair value at date of gift, when donated. Gains and losses on dispositions of fixed assets are recognized in operations in the year of disposition.

Depreciation of fixed assets is provided using the straight-line method over estimated useful lives of 3 to 20 years. Leasehold improvements are amortized over the shorter of their estimated useful lives or the remaining term of the lease. It is the general policy of Catholic Charities to capitalize all expenditures for property and equipment more than \$5,000.

Leases

Catholic Charities leases certain space, copiers, and vehicles. Catholic Charities determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets and lease liabilities on the statements of financial position. Finance leases are included in financing lease right-of-use (ROU) assets and lease liabilities on the statements of financial position.

ROU assets represent Catholic Charities' right to use an underlying asset for the lease term and lease liabilities represent Catholic Charities' obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As leases do not provide an implicit rate, Catholic Charities uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that Catholic Charities will exercise that option. Lease expenditure for lease payments is recognized on a straight-line basis over the lease term. Catholic Charities has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the statements of financial position.

Catholic Charities has elected to separate nonlease components from lease components and accounts for each lease component and nonlease component as a separate lease component.

In evaluating contracts to determine if they qualify as a lease, Catholic Charities considers factors such as if Catholic Charities has obtained substantially all of the rights to the underlying asset through exclusivity, if the Organization can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

The Catholic Charities of the Diocese of Arlington, Inc.

Notes to the Financial Statements

For the years ended June 30, 2023 and 2022

2. Basis of presentation and summary of significant accounting policies (Continued)

Income taxes

Catholic Charities is exempt from federal and state income tax under provisions of Section 501(c)(3) of the Internal Revenue Code and related provisions of the Commonwealth of Virginia. Catholic Charities is not subject to the filing requirements of the Form 990. Catholic Charities is subject to tax to the extent it has taxable unrelated business income. Catholic Charities has no unrelated business income and accordingly, no provision for income taxes is provided in the accompanying financial statements. Catholic Charities believes that it has appropriate support for any tax provisions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Revenue recognition

Revenue is recognized as the performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the Catholic Charities. Revenue for performance obligations satisfied over time is recognized based on the service period of the contract. Catholic Charities measures the performance obligation from these particular services from the beginning of the performance period to the completion of services provided. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided and Catholic Charities does not believe they are required to provide additional goods or services to the client.

Catholic Charities has performance obligations that are satisfied at a point in time as well as over a specific time period. Counseling, Adoption, and Legal Service Fee performance obligations are on an hourly basis and are satisfied on the day of the services performed. Remedial and English Education performance obligations are satisfied over the period that the education service is provided. All other program fees are recognized as revenue as the services are being performed and the performance obligations are satisfied. If Legal, Education or Counseling Services collect fees before the service is provided at fiscal year end, they are recorded as deferred revenue and reported under Liabilities in the statements of financial position.

A portion of Catholic Charities revenue is derived from cost-reimbursable contracts and grants. Amounts received are recognized as earned and are reported as revenue when the Catholic Charities has incurred expenditures in compliance with specific contract or grant provisions. If amounts are received but not yet earned, they are recorded as deferred revenue and reported under Liabilities in the statements of financial position.

Catholic Charities has several awarded cost-reimbursable contracts and grants that extend beyond the agency's fiscal year end. As of June 30, 2023, Catholic Charities has approximately \$3.6 million in available funds under current cost-reimbursable contracts and grants for which qualifying expenditures have not yet been incurred or billed. These funds are a combination of federal, state and local sources with various contract terms and conditions. The revenues will be earned and recognized in the future fiscal year once qualifying expenditures are incurred.

All contributions are considered to be without donor restrictions unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as with donor restrictions. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

The Catholic Charities of the Diocese of Arlington, Inc.

Notes to the Financial Statements

For the years ended June 30, 2023 and 2022

2. Basis of presentation and summary of significant accounting policies (Continued)

Contributed goods and services

Catholic Charities is the recipient of many non-cash contributions, which are then given to needy individuals and families throughout the Northern Virginia area. For financial statement purposes, Catholic Charities has elected to record donated goods and services as contribution revenue. Program expenses or assets are recorded when an in-kind donation is made at the fair value of the goods and services at the date of the gift. For the years ended June 30, 2023 and 2022, amounts of \$5,591,175 and \$4,199,012, respectively, were recorded as both Contributions of Nonfinancial Assistance (Inkind) revenue and program expense in the accompanying statements of activities. None of the Contributions of Nonfinancial Assistance (In-Kind) were restricted by donors for the years ended June 30, 2023 and 2022.

Catholic Charities received \$3.4 million and \$2.6 million in donated food for emergency services in fiscal year 2023 and 2022, respectively. Catholic Charities records the value of donated food using the Feeding America standard rate. Catholic Charities received \$2.1 million and \$1.5 million in donated medical services, medical volunteer time, and donated medical office space in fiscal year 2023 and 2022, respectively. Catholic Charities records the value of donated medical services and volunteer time using the fair market value of laboratory services and labor rates from the US Bureau of Labor Statistics for Virginia for Healthcare Practitioners. Catholic Charities records the fair market value of donated medical space. Legal and other donated services are valued using reported hours and US Bureau of Labor, Bureau of Labor Statistics for Virginia. Other volunteer time is valued at the rate for Virginia as reported by IndependentSector.org. Non-food donations, such as diapers and hygiene items are valued using a standard “basket of goods” value per pound. Gift cards are valued at face value. Other miscellaneous donations, such as vehicle donations, and donated furniture or supplies are valued based on available market prices and other available standards as appropriate. Donor receipts are provided for all accepted non-cash donations in compliance with Internal Revenue Code guidelines.

Functional expenses

Expenses have been allocated to the functional programs and supporting services. Identified costs are charged based on actual costs incurred. Indirect costs are allocated based on the ratio of time and effort in direct support of the programs and supporting services, including expenses such as compensation, professional fees, and occupancy.

Estimates

The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Catholic Charities of the Diocese of Arlington, Inc.

Notes to the Financial Statements

For the years ended June 30, 2023 and 2022

2. Basis of presentation and summary of significant accounting policies (Continued)

Concentration of credit risk

Financial instruments which potentially subject Catholic Charities to a concentration of credit risk consist primarily of its cash and cash equivalents and accounts receivable. Cash and cash equivalents include demand deposits maintained at various financial institutions in the United States. The total deposits at these institutions at times exceed the amount guaranteed by federal agencies and therefore bear some risk since they are not collateralized. Cash on deposit with financial institutions exceeded the federally insured limit by \$-0- and \$759,815 as of June 30, 2023 and 2022. Catholic Charities has not experienced losses on these funds. Most of the accounts receivable are due from individuals who are clients of Catholic Charities and government agencies. The amount due from two government agencies comprised 34% and 88% of the total accounts receivable at June 30, 2023 and 2022, respectively. Catholic Charities has not experienced significant losses related to the accounts receivable.

Classification of net assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restriction – Net assets without donor restrictions include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by Board designation. These net assets of Catholic Charities consisted only of undesignated net assets, which are funds currently available to support the Catholic Charities daily operations.

Nets Assets With Donor Restriction – Net assets with donor restrictions are those net assets where the donor has restricted use of the funds for a specific purpose or by time. These funds may be either restricted by the donor in perpetuity or released for future use by meeting the restriction imposed by the donor.

Subsequent events

In preparing these financial statements, Catholic Charities has evaluated events and transactions for potential recognition or disclosure through March 25, 2024, the date the financial statements were available to be issued.

Fair value measurements

Catholic Charities measures fair value using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The Catholic Charities of the Diocese of Arlington, Inc.

Notes to the Financial Statements

For the years ended June 30, 2023 and 2022

2. Basis of presentation and summary of significant accounting policies (Continued)

The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Catholic Charities may use valuation techniques consistent with the market, income and cost approaches to measure fair value.

The inputs used to measure fair value are categorized into the following three categories:

Level 1 Inputs – Unadjusted quoted prices in active markets for identical assets or liabilities such as stocks and government bonds.

Level 2 Inputs – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, or other inputs that can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Inputs – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or other valuation techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Adoption of New Accounting Standard

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, Leases (Topic 842). The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

Catholic Charities adopted the requirements of this guidance effective July 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption presented using a modified retrospective approach, with certain practical expedients available. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840.

The Organization has elected to adopt the package of practical expedients available in the year of adoption. The Organization has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Organization's ROU assets.

The Catholic Charities of the Diocese of Arlington, Inc.
Notes to the Financial Statements
For the years ended June 30, 2023 and 2022

2. Basis of presentation and summary of significant accounting policies (Continued)

The Organization has applied the portfolio approach in identifying its population of leases and in applying its risk-free rate in certain relevant cases.

The Organization elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on July 1, 2022 an operating lease liability of \$3,784,831, which represents the present value of the remaining operating lease payments and an operating right-of-use asset of \$3,715,812.

The standard had a material impact on the statements of financial position but did not have an impact on the statements of activities nor a material impact on the statements of cash flows. The most significant impact was the recognition of the ROU assets and lease liabilities.

3. Accounts receivable

Accounts receivable are as follows as of June 30, 2023 and 2022,:

	<u>2023</u>	<u>2022</u>
Migration and refugee grants	\$ 1,287,793	\$ 1,190,911
Program services	20,574	26,693
Virginia literacy grant	-	26,282
Cars.Com	18,700	14,442
City of Alexandria	44,411	40,484
Virginia Association of Free Clinic	76,672	53,234
Bequests Receivable	2,363,474	-
Accounts receivable other	37,469	15,450
Total accounts receivable	<u>3,849,093</u>	<u>1,367,496</u>
Less: Allowance for doubtful accounts	<u>(17,666)</u>	<u>(18,265)</u>
Total accounts receivable, net	<u>\$ 3,831,427</u>	<u>\$ 1,349,231</u>

The Catholic Charities of the Diocese of Arlington, Inc.
Notes to the Financial Statements
For the years ended June 30, 2023 and 2022

4. Investments

Investments are stated at fair value and consist of the following at June 30:

	<u>2023</u>	<u>2022</u>
Beneficial interest in the Catholic Investment Trust of Arlington	<u>\$ 17,961,318</u>	<u>\$ 16,549,643</u>

Investments held for long-term purposes are invested in the Catholic Investment Trust of Arlington (CITA). CITA was established as a nontaxable grantors' trust for the purpose to hold, invest, preserve, reinvest, and manage contributions of participating affiliates (grantors), including Catholic Charities. Although assets are pooled for investment purposes, separate accounts are maintained for each grantor, credited for additions and allocated investment gains and charged for withdrawals and allocated investment losses and expenses, and current asset valuations attributable to each grantor. The CITA invests in a diverse portfolio comprised of cash, cash equivalents, fixed instruments, equities and alternative investments under the direction of the Trustees with powers granted them under the Master Trust Agreement.

Catholic Charities invests in a variety of investment securities and therefore is subject to various risks such as interest rate, credit and overall market volatility risk. Due to continuing market risk and fluctuations, it is reasonably possible that significant changes in investment values will occur in the near term that could materially affect the amounts reported in the statement of financial position and the results of operations.

In accordance with ASC 820, Catholic Charities has organized its financial instruments based on the priority of the inputs to the valuation technique into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets and liabilities (Level 1), observable market-based inputs or unobservable inputs that are corroborated by market data (Level 2), and the lowest priority to unobservable inputs (Level 3). Financial Assets that are carried at fair value are categorized based on the inputs to the valuation techniques.

The investment in CITA is considered a Level 3 investment as Catholic Charities holds a beneficial interest in the Trust in proportion to its contributions and allocated investment income or loss. Information is available to Catholic Charities and other grantors regarding the CITA's investment policy, asset holdings, performance and third-party audit results, subject to the terms and conditions of the Master Trust Agreement. Catholic Charities shall upon reasonable notice and at its discretion request withdrawals from their allocable interest in the CITA. Purchases of this level three investment for the years ended June 30, 2023 and 2022, were \$-0- and \$52,475, respectively. Distributions from this level three investment for the years ended June 30, 2023 and 2022, were \$710,000 and \$630,000, respectively.

Due to the inherent uncertainty involving assumptions and estimation methods, the fair value of the investments may differ materially from actual results.

The Catholic Charities of the Diocese of Arlington, Inc.
Notes to the Financial Statements
For the years ended June 30, 2023 and 2022

5. Fixed assets

Fixed assets consist of the following at June 30, 2023 and 2022,:

	<u>2023</u>	<u>2022</u>
Office furnishings and equipment	\$ 469,115	\$ 469,115
Computer hardware	116,083	116,083
Computer software	101,977	101,977
Automobiles	495,986	502,416
Leasehold improvements	1,339,805	1,299,750
Capital leases	66,711	66,711
Total fixed assets	<u>2,589,677</u>	<u>2,556,052</u>
Less: accumulated depreciation	<u>(1,914,133)</u>	<u>(1,769,356)</u>
Total fixed assets, net	<u>\$ 675,544</u>	<u>\$ 786,696</u>

Depreciation expense was \$171,749 and \$183,811 for the years ended June 30, 2023 and 2022, respectively. Of the total fixed assets listed above, \$850,438 and \$743,172 were fully depreciated at June 30, 2023 and 2022, respectively.

6. Pension

Through December 31, 2004, Catholic Charities had a noncontributory defined benefit pension plan. The plan provides benefits calculated at 1.25% of the final average salary multiplied by the employees' credited service, plus 0.65% of any excess of the final average salary over the Social Security average yearly wage multiplied times credited service. Final average salary is the average of the highest three consecutive years' salary during the last ten calendar years of service. Pension expense is determined using the projected unit credit cost method. The plan was valued as of January 1, 2005. Due to the plan freeze, there were no salary projections after December 31, 2004.

The primary objective in the investment policy for the pension plan is to achieve long-term growth of capital and to increase purchasing power relative to inflation. The total return objective is to exceed the rate of inflation by 5% per annum. To accomplish these objectives, 60% of the assets should be invested in common stock and 40% should be invested in fixed income securities. Equity exposure may range from approximately 50% up to 70% of account assets.

To develop the expected long-term rate of return on assets assumption, Catholic Charities considered the current level of expected returns on risk free investments, the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio. The expected long term rates of return were 6.2% and 5.85% respectively for the years ended June 30, 2023 and 2022.

The Catholic Charities of the Diocese of Arlington, Inc.
Notes to the Financial Statements
For the years ended June 30, 2023 and 2022

6. Pension (Continued)

The plan assets consist of the following as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Equity securities	62.8%	74.6%
Debt securities	34.6%	22.0%
Other	2.6%	3.4%
	<u>100.0%</u>	<u>100.0%</u>

Plan assets can be further broken down into the following subclasses: money market funds, taxable bonds, individual U.S. equities, U.S. equities mutual funds, mid cap growth funds, mid cap core funds, small cap core funds, and international equities mutual funds.

The net periodic pension cost for the years ended June 30, 2023 and 2022 includes the following components:

	<u>2023</u>	<u>2022</u>
Service cost	\$ 20,000	\$ 20,000
Interest cost	162,550	115,050
Expected return on plan assets	(175,258)	(208,908)
Amortization of loss	53,197	46,847
Net periodic pension cost	<u>\$ 60,489</u>	<u>\$ (27,011)</u>

The following table sets forth the Plan's funded status as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Change in benefit obligation		
Projected benefit obligation at beginning of year	\$ 3,648,218	\$ 4,296,890
Service cost	20,000	20,000
Interest cost	162,550	115,050
Benefits and expenses paid	(291,397)	(311,312)
Actuarial (gain) loss	(112,832)	(472,410)
Projected benefit obligation	3,426,539	3,648,218
Change in plan assets		
Fair value of plan assets at beginning of year	3,016,447	3,671,541
Return on plan assets (less expenses)	271,521	(518,782)
Employer contributions	-	175,000
Benefits and expenses paid	(291,397)	(311,312)
Fair value of plan assets at end of year	<u>2,996,571</u>	<u>3,016,447</u>
Accrued pension cost at end of year	<u>\$ 429,968</u>	<u>\$ 631,771</u>

The Catholic Charities of the Diocese of Arlington, Inc.
Notes to the Financial Statements
For the years ended June 30, 2023 and 2022

6. Pension (Continued)

Catholic Charities recognized a change in its minimum liability of (\$262,292) and \$208,433 as of June 30, 2023 and 2022, respectively. The minimum pension liability represents the accumulated benefit obligation more/less than the fair value of the plan's assets. The accumulated benefit obligation was \$3,426,539 and \$3,648,218 as of June 30, 2023 and 2022, respectively.

Assumptions used to determine the year-end benefit obligation are as follows:

	<u>2023</u>	<u>2022</u>
Discount rate	5.30%	4.70%
Salary scale increases	N/A	N/A
Expected long-term rate of return on assets	6.20%	5.85%

Fair values of the plan's assets measured on a recurring basis by level at June 30, 2023 are as follows:

	<u>Fair Value</u>	<u>Quote Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Short-term investments	\$ 78,897	\$ 78,897	\$ -	\$ -
Equities	1,038,042	1,038,042	-	-
Mutual Funds	1,879,632	1,879,632	-	-
Total	<u>\$ 2,996,571</u>	<u>\$ 2,996,571</u>	<u>\$ -</u>	<u>\$ -</u>

Fair values of the plan's assets measured on a recurring basis by level at June 30, 2022 are as follows:

	<u>Fair Value</u>	<u>Quote Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Short-term investments	\$ 103,254	\$ 103,254	\$ -	\$ -
Equities	672,013	672,013	-	-
Mutual Funds	2,241,180	2,241,180	-	-
Total	<u>\$ 3,016,447</u>	<u>\$ 3,016,447</u>	<u>\$ -</u>	<u>\$ -</u>

Contributions to be made to the defined benefit plan in 2023 are not expected.

The Catholic Charities of the Diocese of Arlington, Inc.
Notes to the Financial Statements
For the years ended June 30, 2023 and 2022

6. Pension (Continued)

Estimated future benefit payments over the next ten years are as follows:

2024	\$	381,491
2025		378,593
2026		375,198
2027		368,529
2028		361,312
2029 through 2033		1,219,981

Effective January 1, 2005, all employees are covered under a defined contribution plan. The contribution amount is calculated at an annual rate of 4% of eligible employees' annual salary. Contributions were made monthly. A liability of \$24,735 and \$43,021 was recognized as of June 30, 2023 and 2022, respectively.

7. Annuity

In 2000, Catholic Charities was named as the beneficiary of an annuity trust. Catholic Charities does not expect to collect any contribution, based on Internal Revenue Service actuarial tables using discount rates which represent the risk-free rate in existence at the date of the gift. The liability to the annuitant was greater than the investment value of the trust resulting in a liability position of \$77,256 and \$89,528 for the years ended June 30, 2023 and 2022, respectively. The gain/(loss) resulting from the change in actuarial assumptions is recorded as an income/(expense) in the accompanying statements of activities and was \$12,272 and \$4,630 for the years ended June 30, 2023 and 2022, respectively.

8. Leases - ASC 842

Catholic Charities leases equipment as well as certain operating and office facilities for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through 2029 and provide for renewal options ranging from 12 months to seven years. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases.

The Catholic Charities of the Diocese of Arlington, Inc.
Notes to the Financial Statements
For the years ended June 30, 2023 and 2022

8. Leases - ASC 842 (Continued)

The following table provides quantitative information concerning the Organization's leases:

	<u>2023</u>	<u>2022</u>
Lease Costs:		
Finance Lease Cost:		
Amortization of Right-of-Use Assets	\$ 30,761	\$ -
Interest on Lease Liabilities	5,706	-
Operating Lease Cost	<u>1,069,221</u>	-
Total Lease Costs	<u><u>\$ 1,105,688</u></u>	<u><u>\$ -</u></u>

Other Information:

Cash Paid for Amounts Included in the Measurement of Lease Liabilities		
Operating Cash Flows from Finance Leases	\$ 5,706	\$ -
Operating Cash Flows from Operating Leases	1,023,208	-
Financing Cash Flows from Finance Leases	27,798	-
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	4,442,036	-
Weighted-Average Remaining Lease Term - Finance Leases	5.2 years	-
Weighted-Average Remaining Lease Term - Operating Leases	3.9 years	-
Weighted-Average Discount Rate - Finance Leases	3.54%	-
Weighted-Average Discount Rate - Operating Leases	2.97%	-

The Organization classifies the total undiscounted lease payments that are due in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for lease liabilities as of June 30, 2023 is as follows:

<u>Year Ending December 31,</u>	<u>Financing Leases</u>	<u>Operating Leases</u>
2024	\$ 49,126	\$ 1,089,845
2025	49,370	1,039,155
2026	49,370	738,888
2027	49,370	559,062
2028	27,957	409,683
Thereafter	<u>23,190</u>	-
Total Lease Payments	248,383	3,836,633
Less: Interest	<u>(22,101)</u>	<u>(214,914)</u>
Present Value of Lease Liabilities	<u><u>\$ 226,282</u></u>	<u><u>\$ 3,621,719</u></u>

The Catholic Charities of the Diocese of Arlington, Inc.
Notes to the Financial Statements
For the years ended June 30, 2023 and 2022

9. Leases – ASC 840

Catholic Charities elected to apply the provisions of FASB ASC 842 to the beginning of the period of adoption with certain practical expedients available for the year ended June 30, 2023. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840.

Catholic Charities leases office and program service facilities under leases that expire in the year 2023. In addition to lease payments, the leases generally require Catholic Charities to pay taxes, insurance and utilities. Total rent expense amounted to \$984,013 for the year ended June 30, 2022.

Future minimum lease payments for facilities and equipment as of June 30, 2022 are as follows:

2023	\$ 1,108,031
2024	1,000,254
2025	1,006,495
2026	783,568
Thereafter	961,760
Total future minimum lease payments	<u>\$ 4,860,108</u>

10. Related party transactions

Catholic Charities receives funds from the Diocese each year, which consists of an annual Christmas donation and an operating contribution. These payments totaled \$2,373,852 and \$2,467,076 in the years ended June 30, 2023 and 2022, respectively.

Catholic Charities was the recipient of \$12,058 and \$289,885 in gifts and interest from the Leadership Gift Initiative for fiscal years 2023 and 2022, respectively. Of these amounts, \$-0- and \$52,475 for fiscal years 2023 and 2022 were permanently restricted for endowment. All remaining amounts were for program needs.

Catholic Charities reimburses the Diocese for costs administered by the Diocese but are in whole Catholic Charities expenses. Reimbursements to the Diocese totaled \$2,502,225 and \$1,893,147 through June 30, 2023 and 2022, for Personnel & Benefits, Rent, Technology, Accounting, and Communications support. The amounts owed to the Chancery for these expenses were \$30,939 and \$28,934 as of June 30, 2023 and 2022, respectively.

Catholic Charities subleases office space from the Chancery, which leases office space from 200 North Glebe Road, Inc. Rent expense for this office space was \$228,726 and \$196,889 for the years ended June 30, 2023 and 2022, respectively.

Catholic Charities occasionally advertises in the Arlington Catholic Herald. Total advertising expense paid to the Arlington Catholic Herald was \$30,653 and \$26,593 for the years ended June 30, 2023 and 2022, respectively. The amounts owed to the Herald for these expenses were \$1,792 and \$2,218 as of June 30, 2023 and 2022, respectively.

The Catholic Charities of the Diocese of Arlington, Inc.
Notes to the Financial Statements
For the years ended June 30, 2023 and 2022

10. Related Party Transactions (Continued)

Non-operating cash/funds are invested in the Diocesan Investment and Loan (DIAL) fund. The DIAL fund represents a cooperative savings and loan program established for the mutual benefit of the Diocese's members, including Catholic Charities. Total cash deposited in the DIAL fund was \$17,077,939 and \$17,690,205 at June 30, 2023 and 2022, respectively, with interest income earned at 2.00%. Amounts on deposit in DIAL may be withdrawn on demand.

Catholic Charities has investments maintained in a master pooled investment account managed by the Catholic Investment Trust of Arlington (CITA). The amount Catholic Charities has invested in the master pooled investment account as of June 30, 2023 and 2022 is \$17,961,318 and \$16,549,643, respectively. Realized and unrealized gains and losses from securities in the master pooled investment account, managed by the CITA, are allocated monthly to the individual pool participants based on the relationship of the market value of each pool participant to the total market value of the master pooled investment account, as adjusted for additions to or deductions from those accounts.

11. Net assets with donor restrictions

Net Assets With Donor Restriction by purpose restriction and endowment fund as of June 30, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Adoption & Children Services	\$ 18,668	\$ 21,767
Counseling & Health	615,436	622,644
Food & Emergency Assistance	305,249	342,143
Hogar Immigrant Services	813,195	16,103
Migration and Refugee Services	101,600	101,301
Senior Services	2,326	2,326
Transformational Housing	2,804,464	2,950,257
Other	239,509	277,023
Endowment - Subject to Board Appropriation	8,427,371	7,015,696
Endowment - Held Perpetually	10,246,437	10,242,331
Total	<u>\$ 23,574,255</u>	<u>\$ 21,591,591</u>

The Catholic Charities of the Diocese of Arlington, Inc.
Notes to the Financial Statements
For the years ended June 30, 2023 and 2022

12. Endowments

Net assets associated with endowment funds, including funds designated by the Diocesan Bishop to function as endowment funds, are classified and reported based on the existence of donor-imposed restrictions.

Endowments are for the following purposes at June 30:

	<u>2023</u>	<u>2022</u>
Client Services	\$ 1,244,242	\$ 1,240,136
General Operations	<u>9,002,195</u>	<u>9,002,195</u>
Original Endowment Corpus	10,246,437	10,242,331
Endowment Earnings Subject to Board Appropriation	<u>8,427,371</u>	<u>7,015,696</u>
Total	<u><u>\$ 18,673,808</u></u>	<u><u>\$ 17,258,027</u></u>

Interpretation of relevant law

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) has been interpreted as requiring the preservation of fair value of the original gift as of the date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Because of this interpretation, Catholic Charities classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is expended according to the specific purposes set forth by the donors. In accordance with UPMIFA, Catholic Charities considers the following factors in deciding to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the funds
2. The purposes of Catholic Charities and the donor-restricted endowment funds
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of Catholic Charities
7. The investment policies of Catholic Charities

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted funds may fall below the level that the donor or UPMIFA requires Catholic Charities to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2023 and 2022.

The Catholic Charities of the Diocese of Arlington, Inc.
Notes to the Financial Statements
For the years ended June 30, 2023 and 2022

12. Endowments (Continued)

Investment return objectives, risk parameters and strategies

Catholic Charities has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution ranging from 4% to 5%, while growing the funds if possible. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending policy

Distributions from three funds are made in accordance with the donors' imposed stipulations that require a certain percentage of earnings to be retained to increase the value of the corpus and the remainder to be used for specific purposes. Where there is not a donor stipulated spending policy Catholic Charities has a policy of appropriating for distribution each year 4% of its endowment fund average fair value of the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, Catholic Charities considered the long-term expected return on its investment assets. Catholic Charities expects the current spending policy to allow its endowment funds to grow at a nominal average rate of between 3% and 4% annually. This is consistent with Catholic Charities objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment returns.

Endowment net asset composition by type of fund as of June 30, 2023 is as follows:

	Without Donor Restrictions	With Donor Restrictions		
		Subject to Board Appropriation	Endowment Given in Perpetuity	Total
Donor-restricted endowment funds	\$ -	\$ 8,427,371	\$ 10,247,756	\$ 18,675,127
Endowment major gifts receivable	-	-	(1,319)	(1,319)
Total funds	\$ -	\$ 8,427,371	\$ 10,246,437	\$ 18,673,808

The Catholic Charities of the Diocese of Arlington, Inc.
Notes to the Financial Statements
For the years ended June 30, 2023 and 2022

12. Endowments (Continued)

Endowment net asset composition by type of fund as of June 30, 2022 is as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Subject to Board Appropriation	Endowment Given in Perpetuity	
Donor-restricted endowment funds	\$ -	\$ 7,015,696	\$ 10,243,650	\$ 17,259,346
Endowment major gifts receivable	-	-	(1,319)	(1,319)
Total funds	\$ -	\$ 7,015,696	\$ 10,242,331	\$ 17,258,027

Donor-restricted endowment

Changes in donor-restricted endowment net assets as of June 30, 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Subject to Board Appropriation	Endowment Given in Perpetuity	
Endowment net assets, beginning of year	\$ -	\$ 7,015,696	\$ 10,243,650	\$ 17,259,346
Contributions	-	-	-	-
Investment Income (Loss)	-	2,121,675	4,106	2,125,781
Amounts satisfying purpose restriction	-	(710,000)	-	(710,000)
Endowment net assets, end of year	\$ -	\$ 8,427,371	\$ 10,247,756	\$ 18,675,127

Changes in donor-restricted endowment net assets as of June 30, 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Subject to Board Appropriation	Endowment Given in Perpetuity	
Endowment net assets, beginning of year	\$ -	\$ 11,398,573	\$ 9,290,938	\$ 20,689,511
Contributions	-	-	951,276	951,276
Investment Income (Loss)	-	(3,752,877)	1,436	(3,751,441)
Amounts satisfying purpose restriction	-	(630,000)	-	(630,000)
Endowment net assets, end of year	\$ -	\$ 7,015,696	\$ 10,243,650	\$ 17,259,346

The Catholic Charities of the Diocese of Arlington, Inc.
Notes to the Financial Statements
For the years ended June 30, 2023 and 2022

13. Liquidity

Catholic Charities is substantially supported by Contributions, Diocesan Support, Government Grants, Program Fees and Investment Income for its ongoing annual operations. Financial assets that are not available to fund current operations include contributions with donor restrictions and investments that are illiquid or have scheduled redemptions exceeding one year. Contributions restricted by the donor for specific purposes or time periods cannot be utilized until the restriction is met. Time-restricted assets unavailable for current operations include donor contributions to the corpus of endowments, which are considered restricted in perpetuity (see Note 12 regarding endowments).

Financial assets available to fund general expenditures within one year were as follows for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Cash & cash equivalents	\$ 17,155,341	\$ 18,513,706
Investments	17,961,318	16,549,643
Accounts receivable, net	<u>3,831,427</u>	<u>1,349,231</u>
Total financial assets	38,948,086	36,412,580
Less those unavailable for general expenditure within one year, due to:		
Restricted by donor with purpose restrictions	(2,141,664)	(467,852)
Subject to spending policy appropriation	(8,427,371)	(7,015,696)
Quasi-endowment fund	(2,758,783)	(2,758,783)
Restricted by donor in perpetuity	<u>(10,246,437)</u>	<u>(10,242,331)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 15,373,831</u>	<u>\$ 15,927,918</u>

The Catholic Charities of the Diocese of Arlington, Inc.
Notes to the Financial Statements
For the years ended June 30, 2023 and 2022

14. Service fee revenue

Service fees of the Catholic Charities consisted of the following for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Program Service Fees		
Point in Time:		
Counseling	\$ 298,287	\$ 259,485
Pregnancy & Adoption	159,942	277,431
Legal Services	97,053	123,123
Other	39,117	55,096
Total Point in Time	<u>594,399</u>	<u>715,135</u>
Over Time:		
Remedial and English Education	<u>97,847</u>	<u>75,316</u>
Total Program Service Fees	<u>\$ 692,246</u>	<u>\$ 790,451</u>

Receivables related to the above program service fees were \$20,574, \$26,693, and \$77,235 for the years ended June 30, 2023, 2022, and 2021, respectively.

15. Contributed Property

The organization received a bequest of donated property with an appraised value of \$900,000. As of the June 30, 2022, the asset was being held on behalf of the organization and in 2023 was transferred to the Catholic Charities and sold. The gift was permanently restricted for Christ House purposes in accordance with the Leach Endowment fund. The Catholic Charities recognized a contribution of this nonfinancial asset for the estimated (appraised) value.

For the years ended June 30, 2022, amounts of \$898,800 were recorded as Beneficial Interest in Asset Held on Our Behalf in the accompanying statement of financial position and statements of activities.



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

Board of Directors
The Catholic Charities of the Diocese of Arlington, Inc.
Arlington, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Catholic Charities of the Diocese of Arlington, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 25, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Catholic Charities of the Diocese of Arlington, Inc.'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 Catholic Charities of the Diocese of Arlington, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of The Catholic Charities of the Diocese of Arlington, Inc.'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.

Board of Directors
The Catholic Charities of the Diocese of Arlington, Inc.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Catholic Charities of the Diocese of Arlington, Inc.'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 communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Arlington, Virginia
March 25, 2024



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
The Catholic Charities of the Diocese of Arlington, Inc.
Arlington, Virginia

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited The Catholic Charities of the Diocese of Arlington, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on The Catholic Charities of the Diocese of Arlington, Inc.'s major federal program for the year ended June 30, 2023. The Catholic Charities of the Diocese of Arlington, Inc.'s major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, The Catholic Charities of the Diocese of Arlington, Inc., complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

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 (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of The Catholic Charities of the Diocese of Arlington, Inc., and to meet our other ethical responsibilities, in accordance with 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 its major federal program. Our audit does not provide a legal determination of The Catholic Charities of the Diocese of Arlington, Inc.'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 Catholic Charities of the Diocese of Arlington, Inc.'s federal programs.

Auditors' 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 Catholic Charities of the Diocese of Arlington, Inc.'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 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 Catholic Charities of the Diocese of Arlington, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with 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 Catholic Charities of the Diocese of Arlington, Inc.'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 The Catholic Charities of the Diocese of Arlington, Inc.'s 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 Catholic Charities of the Diocese of Arlington, Inc.'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.

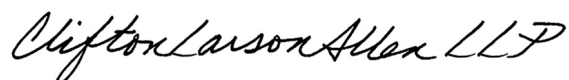
Report on Internal Control Over Compliance

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 Auditors' 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 in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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.



CliftonLarsonAllen LLP

Arlington, Virginia
March 25, 2024

The Catholic Charities of the Diocese of Arlington, Inc.
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2023

Federal Grantor/Pass Through Grantor/Program Title	ALN Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Department of State				
US conference of Catholic Bishops				
Reception and Placement	19.510	N/A	N/A	\$ 1,460,818
Afghan Placement and Assistance Program	19.510	N/A	N/A	409,697
Total Department of State				1,870,515
Department of Health & Human Services				
US Conference of Catholic Bishops				
Refugee and Entrant Assistance - Voluntary Agency	93.567	N/A	N/A	671,301
Home Study and Post Release Services	93.598	N/A	N/A	325,385
Preferred Communities	93.576	N/A	N/A	122,585
Preferred Communities (Ukraine)	93.576	N/A	N/A	40,682
				1,159,953
Vera Institute of Justice				
Unaccompanied Alien Children Program	93.676	N/A	N/A	6,540
Commonwealth of Virginia				
Refugee and Entrant Assistance - State Administered	93.566	N/A	N/A	1,054,857
Student Achievement Program	93.566	N/A	N/A	130,398
Preventative Health Project	93.566	N/A	N/A	117,728
Service to Older Refugees	93.566	N/A	N/A	51,155
Mentoring Youth in Virginia Program	93.566	N/A	N/A	107,254
Afghan Supplemental Appropriation - Refugee Resettlement Services	93.566	N/A	N/A	1,209,852
Afghan Supplemental Appropriation - Student Achievement Program	93.566	N/A	N/A	138,858
Afghan Supplemental Appropriation - Health & Education Outreach Program	93.566	N/A	N/A	232,014
Afghan Supplemental Appropriation - Service to Older Refugees Program	93.566	N/A	N/A	74,933
Afghan Supplemental Appropriation - Mentoring Youth in VA Outreach Program	93.566	N/A	N/A	64,631
				3,181,680
Total Department of Health and Human Services				4,348,173
Department of Agriculture				
Emergency Food Assistance	10.569	N/A	N/A	283,822
Department of Treasury				
Virginia Association of Free & Charitable Clinics Coronavirus Relief Fund	21.019	N/A	N/A	100,000
Total Department of Treasury				100,000
Total				\$ 6,602,510

**The Catholic Charities of the Diocese of Arlington, Inc.
Schedule of Expenditures of Federal Awards (continued)
For the year ended June 30, 2023**

NOTE A BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of The Catholic Charities of the Diocese of Arlington, Inc., under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of The Catholic Charities of the Diocese of Arlington, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of The Catholic Charities of the Diocese of Arlington, Inc.

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Catholic Charities of the Diocese of Arlington, Inc., has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**The Catholic Charities of the Diocese of Arlington, Inc.
 Schedule of Findings and Questioned Costs
 For the year ended June 30, 2023**

Financial Statements

Type of Auditors' Report Issued: Unmodified

Internal Control over Financial Reporting:

- Material Weakness(es) Identified Yes X No
- Significant Deficiency(ies) Identified
 not Considered to be Material Weakness(es) Yes X None Reported
- Noncompliance Material to Financial
 Statements Noted Yes X No

Federal Awards

Internal Control over Major Programs:

- Material Weakness(es) Identified Yes X No
- Significant Deficiency(ies) Identified
 Not Considered to be Material Weakness(es) Yes X None Reported

Type of Auditors' Report Issued on Compliance for
 the Major Programs: Unmodified

Any audit findings disclosed that are
 required to be reported in accordance
 with 2 CFR 200.516(a)? Yes X No

Identification of major programs:

<u>ALN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.566	Refugee and Entrant Assistance

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

Auditee qualified as low-risk auditee? X Yes No

**The Catholic Charities of the Diocese of Arlington, Inc.
Schedule of Findings and Questioned Costs
For the year ended June 30, 2023**

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

Section IV – Prior Year Major Federal Program Findings

There were no findings in the prior year that were required to be reported.



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