

CATHOLIC CHARITIES OF SPOKANE
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022



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**CATHOLIC CHARITIES OF SPOKANE
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YEAR ENDED DECEMBER 31, 2022**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Catholic Charities of Spokane
Spokane, Washington

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Catholic Charities of Spokane, which comprise the statement of financial position as of December 31, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Catholic Charities of Spokane, as of December 31, 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 audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Catholic Charities of Spokane and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 22, to the financial statements beginning net assets were restated. Our opinion is not modified with respect to that 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 Catholic Charities of Spokane's ability to continue as a going concern within one year after the date that 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 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, 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 Catholic Charities of Spokane'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 Catholic Charities of Spokane'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.



CliftonLarsonAllen LLP

Spokane, Washington
September 18, 2023

**CATHOLIC CHARITIES OF SPOKANE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022**

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 2,133,963
Accounts and Contracts Receivable	3,356,743
Promises to Give Receivable, Current	718,441
Prepaid Expenses and Other Current Assets	200,601
Total Current Assets	6,409,748

PROPERTY AND EQUIPMENT, Net of Accumulated Depreciation	10,781,000
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OTHER ASSETS

Investments, at Fair Market Value	2,486,453
Operating ROU Asset	25,046
Financing ROU Asset	66,402
Related Party Note Receivable	500,000
Investment in Partnership	207,735
Deposit	450,000
Beneficial Interest in Catholic Charities Foundation	2,098,280
Total Other Assets	5,833,916

Total Assets	\$ 23,024,664
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable and Accrued Expenses	\$ 1,759,967
Accrued Vacation Payable	940,981
Refundable Advance	25,017
Current Maturities of Lease Liability - Operating	4,767
Current Maturities of Lease Liability - Financing	17,702
Total Current Liabilities	2,748,434

NONCURRENT LIABILITIES

Lease Liability - Operating, Net of Current Maturities	20,279
Lease Liability - Financing, Net of Current Maturities	47,434
Building Deposit	2,178,714
Total Noncurrent Liabilities	2,246,427

Total Liabilities	4,994,861
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NET ASSETS

Without Donor Restrictions	10,572,335
With Donor Restrictions	7,457,468
Total Net Assets	18,029,803

Total Liabilities and Net Assets	\$ 23,024,664
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See accompanying Notes to Financial Statements.

CATHOLIC CHARITIES OF SPOKANE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE			
Public Support:			
Contributions	\$ 4,358,344	\$ 772,115	\$ 5,130,459
In-Kind Contributions	235,086	-	235,086
Governmental Grants and Contracts	8,808,246	123,510	8,931,756
Other Grants and Contracts	1,059,013	1,431,018	2,490,031
Total Public Support	14,460,689	2,326,643	16,787,332
Revenue:			
Program Service Fees	5,256,783	-	5,256,783
Medicaid Billings	1,890,276	-	1,890,276
Tuition and Registration	2,375,698	-	2,375,698
Rental Income	110,773	-	110,773
Net Investment Income	(280,939)	(254,382)	(535,321)
Change in Beneficial Interest in Assets			-
Held by Catholic Charities Foundation	-	(900,648)	(900,648)
Loss from Partnership	(58,641)	-	(58,641)
Reclassification	(127,011)	127,011	-
Miscellaneous	36,092	-	36,092
Total Revenue	9,203,031	(1,028,019)	8,175,012
 Total Public Support and Revenue	 23,663,720	 1,298,624	 24,962,344
Net Assets Released from Restrictions:			
Satisfaction of Purpose Restrictions	3,591,773	(3,591,773)	-
EXPENSES			
Program Services	25,736,230	-	25,736,230
Management and General	2,521,086	-	2,521,086
Public Relations and Fundraising	1,480,008	-	1,480,008
Total Expenses	29,737,324	-	29,737,324
CHANGES IN NET ASSETS	(2,481,831)	(2,293,149)	(4,774,980)
Net Assets - Beginning of Year, As Restated	13,054,166	9,750,617	22,804,783
NET ASSETS - END OF YEAR	\$ 10,572,335	\$ 7,457,468	\$ 18,029,803

See accompanying Notes to Financial Statements.

**CATHOLIC CHARITIES OF SPOKANE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022**

	Program Services				Total Program Services	Management and General	Public Relations and Fundraising	Total Expenses
	Central Program Services	Crisis and Shelter Services	Advocacy and Family Services	Senior and Housing Services				
Salaries	\$ 1,645,179	\$ 5,114,403	\$ 2,981,463	\$ 3,797,259	\$ 13,538,304	\$ 1,523,978	\$ 709,855	\$ 15,772,137
Employee Benefits and Payroll Taxes	327,632	1,632,139	904,893	1,063,031	3,927,695	277,679	191,642	4,397,016
Total Salaries and Related Expenses	<u>1,972,811</u>	<u>6,746,542</u>	<u>3,886,356</u>	<u>4,860,290</u>	<u>17,465,999</u>	<u>1,801,657</u>	<u>901,497</u>	<u>20,169,153</u>
Professional Fees and Contractual								
Service Payments	62,491	393,806	133,160	332,772	922,229	531,352	158,849	1,612,430
Supplies	50,066	126,670	210,548	39,753	427,037	9,961	67,957	504,955
Communications	20,367	80,408	31,504	23,323	155,602	10,734	3,108	169,444
Postage, Printing and Promotion	28,502	7,104	5,462	11,400	52,468	13,958	106,631	173,057
Community Support	861,779	-	113	2,941	864,833	2,700	57,015	924,548
Advertising	230	-	1,644	1,995	3,869	10,621	91,079	105,569
Occupancy	116,454	711,123	310,320	79,786	1,217,683	3,782	2,558	1,224,023
Repairs and Maintenance	33,332	183,058	34,086	50,232	300,708	13,186	21,246	335,140
Transportation	9,859	41,729	6,903	457,831	516,322	29,499	20,478	566,299
Employee Meetings, Training and Development	113,151	114,924	44,422	111,261	383,758	85,135	18,150	487,043
Specific Assistance to Individuals	843,315	1,106,996	77,090	336,617	2,364,018	739	27,078	2,391,835
Volunteer Costs	5,753	692	1,067	29,936	37,448	1,766	2,862	42,076
Distribution of Pass-Through and Other Funds	96,621	12,259	-	-	108,880	-	-	108,880
Miscellaneous	(73,706)	8,830	10,187	171	(54,518)	1,284	1,500	(51,734)
Total Expenses Before Depreciation	<u>4,141,025</u>	<u>9,534,141</u>	<u>4,752,862</u>	<u>6,338,308</u>	<u>24,766,336</u>	<u>2,516,374</u>	<u>1,480,008</u>	<u>28,762,718</u>
Amortization of ROU Asset	16,600	-	-	-	16,600	-	-	16,600
Depreciation	<u>357,313</u>	<u>390,245</u>	<u>193,057</u>	<u>12,679</u>	<u>953,294</u>	<u>4,712</u>	<u>-</u>	<u>958,006</u>
Total Functional Expenses	<u>\$ 4,514,938</u>	<u>\$ 9,924,386</u>	<u>\$ 4,945,919</u>	<u>\$ 6,350,987</u>	<u>\$ 25,736,230</u>	<u>\$ 2,521,086</u>	<u>\$ 1,480,008</u>	<u>\$ 29,737,324</u>

See accompanying Notes to Financial Statements.

**CATHOLIC CHARITIES OF SPOKANE
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022**

CASH FLOWS FROM OPERATING ACTIVITIES

Changes in Net Assets	\$ (4,774,980)
Adjustments to Reconcile Changes in Net Assets to	
Net Cash Used by Operating Activities:	
Depreciation	958,006
Amortization of ROU Asset	16,600
Net Unrealized Loss on Investments	797,679
Loss from Partnership	58,641
Contribution of Property to Catholic Housing Services of Eastern WA	355,000
Gain on Disposal or Contribution of Assets	(88,265)
(Increase) Decrease in Cash Due to Changes in Assets:	
Accounts and Contracts Receivable	(1,119,484)
Promises to Give Receivable	81,559
Prepaid Expenses and Other Current Assets	(79,471)
Beneficial Interest in Catholic Charities Foundation	900,648
Increase (Decrease) in Cash Due to Changes in Liabilities:	
Accounts Payable and Accrued Expenses	600,621
Accrued Vacation Payable	220,538
Refundable Advances	25,017
Net Cash Used by Operating Activities	<u>(2,047,891)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Property and Equipment	(192,524)
Purchase of Investments	(968,347)
Proceeds from Sale of Investments	2,441,117
Issuance of Note Receivable	<u>(500,000)</u>
Net Cash Provided by Investing Activities	780,246

CASH FLOWS FROM FINANCING ACTIVITIES

Payments on Financing Lease	<u>(17,866)</u>
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NET DECREASE IN CASH AND CASH EQUIVALENTS

(1,285,511)

Cash and Cash Equivalents, and Restricted Cash - Beginning of Year

3,419,474

**CASH AND CASH EQUIVALENTS, AND RESTRICTED CASH -
END OF YEAR**

\$ 2,133,963

See accompanying Notes to Financial Statements.

**CATHOLIC CHARITIES OF SPOKANE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Catholic Charities of Spokane, doing business as Catholic Charities Eastern Washington provides a wide variety of social services in Eastern Washington.

It is the mission of Catholic Charities of Spokane to affirm the dignity of every person, partnering with parishes and the greater community to serve and advocate for those who are vulnerable bringing stability and hope to people throughout Eastern Washington.

Catholic Charities of Spokane (Catholic Charities or the Organization) operates as an umbrella corporation encompassing several programs included in these financial statements.

These programs include:

- Childbirth and Parenting Assistance (CAPA)
- Christmas Bureau
- Community Behavioral Health Services
- House of Charity
- Parish Social Ministry
- Immigration Legal Services
- St. Anne's Children and Family Center
- St. Margaret's Shelter
- Rising Strong
- Housing Social Services
- Senior Services
- Catholic Charities Walla Walla
- Food for All
- Integrated Case Management
- The Loft Teen Shelter
- Healthcare Integration
- Catholic Housing Communities
- The Catalyst Project

Other related entities render charitable services and operate under the sponsorship of Catholic Charities. The financial statements for these entities are not included as they are separately incorporated or formed.

On January 1, 2022, Catholic Housing Services of Eastern Washington, which manages affordable housing properties sponsored by Catholic Charities, merged with Spokane Housing Ventures. Spokane Housing Ventures is a nonprofit organization that owns and operates affordable housing properties, primarily located in eastern Washington. The merger was implemented by creating a new, separately incorporated nonprofit organization, Catholic Housing Ventures. Following the merger, Catholic Charities, through its Catholic Housing Communities program, provides housing management and social services to the affordable housing properties and legal entities held within the Catholic Housing Ventures, Catholic Housing Services of Eastern Washington, and Spokane Housing Ventures.

**CATHOLIC CHARITIES OF SPOKANE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nature of Operations (Continued)

These entities include, but are not limited to, the following:

55th Ave Apts LLC
Austen Manor
Bel Franklin Apartments LLC
Bernadette Place
Bishop Park-Port Townsend LLC
Casa Salvadas LP
Catalyst Project LLC
Catholic Housing Ventures
Catholic Housing Communities
Catholic Housing Services of Eastern Washington CHSEW
Chewelah Manor LLC
CHSEW MM LLC
CHSEW SLP LLC
Clare View Seniors Apartments LP
Cottonwood Springs I Apartments LLC
Delaney Group LLC
Dignity Housing II LLC
Dignity Housing LLC
El Estero LLC
Fahy Gardens Apartment
Fahy West
Fr Bach Housing III LLC
Fr Bach Housing IV LLC
Fr Bach Housing V LLC
Fr Bach II Housing LLC
FR Bach IV Manager LLC
FR Bach V Manager LLC
Garden Court
Glacier Village-Eatonville LLC
Gonzaga Haven LLC
Gonzaga Haven Manager LLC
Grandview Square-Grandview LLC
Guadalupe Haven LLC
Guse Summit View
Hidden Pines LP
HN Convent LLC
Holy Names Family Housing LLC
Holy Names Family Housing, LLC - Managing Holy Names Senior Housing LLC
Hope and Home Team LLC
Mike Foye Home, Inc.
Mother Teresa Haven Manager, LLC
Mother Teresa Haven LLC
NAHA A LLC

**CATHOLIC CHARITIES OF SPOKANE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nature of Operations (Continued)

NAHA Danwood LP
NAHA Hilltop Assoc WA LP
NAHA-Yakima Associates LP
New Cathedral Plaza LLC
New Cathedral Plaza Manager LLC - Managing New O'Malley LLC
New O'Malley Manager LLC - Managing
New Pinecrest LLC
Northwest Association for Housing Affordability Nor'West Village - PT LLC
Othello Haven SPE LLC
Othello Housing Assoc LP
Pasco Family Housing II LLC
Pasco Family Housing LLC
Pasco Haven Housing
Pasco Haven LLC
Pasco Haven Manager LLC
PFH Manager LLC
PFH Manager LLC
Pioneer Square Apartments
Pioneer Square Apartments SPE LLC
Pope Francis Haven LLC
Rockwood Lane
SHV A LLC
SHV JAM SM LLC
Spokane Housing Ventures
St Kateri Haven LLC
St Kateri Haven Manager LLC
St Leo's Haven LLC
Sunnyside Manor-Sunnyside LLC
Tepeyac Haven SPE LLC
The Rhodena
Valor Haven LLC
Village Apartments LP
Woodruff Heights LP
WWVA Housing, dba St Michael's Haven

Financial Statement Presentation

The financial statements of Catholic Charities have been presented on the accrual basis and in accordance with the requirements of the *Financial Statements of Not-for-Profit Organizations* standard.

**CATHOLIC CHARITIES OF SPOKANE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Catholic Charities reports gifts of cash and other assets as 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 statement of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as support without donor restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk adjusted-interest rates applicable to the years in which the promises are received.

Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Catholic Charities reports gifts of land, buildings, and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used.

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long-lived assets must be maintained, Catholic Charities reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Valuation of Accounts Receivable

An allowance for doubtful accounts is provided based on experience and management's evaluation of the current status of accounts. The allowance for doubtful accounts was \$-0- for the year ended December 31, 2022. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the client or donor.

Equipment, Building, and Building Improvements

Equipment, building, and building improvements over \$5,000 are recorded at cost and depreciated over their estimated useful lives on the straight-line basis. If donated, equipment and building improvements are recorded at fair market value on the date of receipt. Depreciation expense was \$958,006 for the year ended December 31, 2022.

Cash and Cash Equivalents

Catholic Charities considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**CATHOLIC CHARITIES OF SPOKANE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Cash

The Organization maintains a separate cash account for funds on deposit for the Christmas Bureau program. At December 31, 2022, the amount on deposit was \$1,038,406.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the reporting period. Significant estimates include estimated collectible amounts of accounts, contracts, and pledges receivable, and lives of depreciable assets. Actual results could differ from those estimates.

Valuation of Long-Lived Assets

The Organization, using its best estimates based on reasonable and supportable assumptions and projections, reviews assets for impairment whenever events or changes in circumstances have indicated that the carrying amount of its assets might not be recoverable. Impaired assets are reported at the lower of cost or fair value. At December 31, 2022, no assets had been written down.

Beneficial Interest

In April 2005, the Catholic Charities Foundation was incorporated and established for the sole and exclusive benefit of Catholic Charities of the Diocese of Spokane subsequently renamed Catholic Charities of Spokane. In accordance with the *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others* standard, Catholic Charities and the Catholic Charities Foundation are considered interrelated organizations and thus Catholic Charities is required to record its beneficial interest in the net assets of the Catholic Charities Foundation. At December 31, 2022, the beneficial interest in assets held by the Catholic Charities Foundation was \$2,098,280.

Advertising

The costs of advertising are expensed as incurred. Advertising expense for the year ended December 31, 2022 was \$105,569.

Investments

Catholic Charities accounts for investments in accordance with the provisions of the *Standard of Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under the standard, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statements of financial position. Unrealized gains and losses are included in the changes in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

**CATHOLIC CHARITIES OF SPOKANE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

Catholic Charities has adopted the *Fair Value Measurement* standard under which fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date. The techniques used to measure fair value are prioritized in accordance with the tri-level fair value hierarchy established by the standard. See Note 5, Fair Value Measurements, for expanded disclosure.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation.

Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements.

Revenue Recognition

Catholic Charities recognizes contributions when cash, securities or other assets, an unconditional promise to give; or notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

A portion of Catholic Charities revenue is derived from cost-reimbursable contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts awarded are recognized as revenue when Catholic Charities has incurred expenditures in compliance with specific contract or grant provisions. Catholic Charities received cost-reimbursable grants of \$8,213,178 that have not been recognized at December 31, 2022, because qualifying expenditures have not yet been incurred.

To determine revenue recognition for the arrangements that the Organization determines are within the scope of Topic 606, the Organization performs the following five steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the Organization satisfied a performance obligation.

Program service fees includes revenue related to the properties managed by Catholic Housing Communities for social services provided to residents as well as property management and accounting services. Revenue is recognized when the services are provided.

**CATHOLIC CHARITIES OF SPOKANE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Tuition and registration revenue includes revenue related to the provision of childcare and waitlist fees at the St. Anne's Children and Family Center. Revenue is recognized when the services are provided.

Contract assets consist of accounts receivable of \$1,154,042 and \$663,415 at December 31, 2022 and 2021, respectively.

Deposit

In 2021, Catholic Charities entered in a real estate contract to secure the first option to purchase real property adjacent to an existing housing facility in exchange for a nonrefundable earnest money deposit of \$450,000. The deposit is recorded as an asset on the statement of financial position.

Leases

Catholic Charities determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) assets – operating and lease liability – operating, and finance leases are included in right-of-use (ROU) assets – financing and lease liability – financing in the statements of financial position.

ROU assets represent Catholic Charities right to use an underlying asset for the lease term and lease liabilities represent the Organization's 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. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for operating 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.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Organization has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

The Organization has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

Adoption of New Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases* (Topic 842). This 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 among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases.

**CATHOLIC CHARITIES OF SPOKANE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards (Continued)

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 the guidance effective January 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption, through a cumulative effect adjustment with certain practical expedients available. Catholic Charities has elected to adopt the package of practical expedients available in the year of adoption.

FASB issued ASU 2020-07 *Presentation and Disclosure by Not-For-Profit Entities for Contributed and Nonfinancial Assets*. The ASU enhances the presentation and disclosure of contributed nonfinancial assets. This ASU is effective for annual periods beginning after June 15, 2021. Catholic Charities has implemented this standard for the year ended December 31, 2022.

Subsequent Events

Subsequent events have been evaluated through September 18, 2023, which is the date the financial statements were available to be issued.

NOTE 2 PROGRAM DESCRIPTIONS

Catholic Charities provides funding and administrative support services to other agencies. Programs include: Campaign for Human Development, Catholic Relief Services, and Christmas Bureau.

Parish Social Ministry provides communication, education, and partnership with Catholic Charities programs and parish members or social concerns committees in the Diocese of Spokane. It focuses on issues of social justice, advocacy, community organizing, outreach and emergency assistance to people in need.

House of Charity provides emergency services such as food, clothing, and shelter to the homeless in addition to providing case management, respite and other support services to assist low-income individuals with housing, employment, and other social services.

St. Margaret's Shelter provides temporary housing for families, case management, counseling, life skills training, and rental assistance for homeless and low-income families.

Rising Strong provides treatment, housing, and other resources to allow families involved in the child welfare system to stay together while establishing and maintaining their recovery.

St. Anne's Children and Family Center provides licensed child-care services for children ages 4 weeks through 8 years for private pay families and those receiving support through Working Connections Child Care.

**CATHOLIC CHARITIES OF SPOKANE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 PROGRAM DESCRIPTIONS (CONTINUED)

Childbirth and Parenting Assistance (CAPA) provides comprehensive free support services to pregnant women, expectant fathers, and parents with children ages newborn through three years. CAPA also founded and provides administrative support to the Prepares program which provides childbirth and parenting support through Catholic Dioceses throughout the state of Washington.

Community Behavioral Health Services provides individual, couples, and family counseling and educational workshops, without regard to religion, race, or economic status.

Immigration Legal Services provides certified assistance to those seeking immigration benefits throughout the service area of Catholic Charities of Spokane including Spokane, Pasco, Walla Walla, Othello, Okanogan, and Brewster.

Health Care Integration facilitates certain health care coordination services for Catholic Charities clients and assists in stable placements for patients discharging from the hospital.

Catholic Charities Walla Walla provides counseling services, refugee and immigration services, volunteer chore services, teen shelter services, community collaboration, and outreach for the Walla Walla community.

Catholic Housing Communities provides housing management services for the properties sponsored by Catholic Charities.

Housing Social Services provides housing and supportive social services through the Catholic Housing Communities programs.

Senior Services provides essential transportation, light housekeeping, and yard work to low-income seniors and adults with disabilities, enabling residents to age in place with dignity through the Volunteer Chore Service.

Food for All provides healthy, locally grown produce to those in need. We work with community partners and farmers markets to develop infrastructure that will help obtain and deliver more local fresh fruit and vegetables.

Integrated Case Management assists people in stabilizing their housing, income, behavioral health, and/or substance use. Integrated Case Management provides supportive housing, supported employment, and peer support services, and works to help clients access behavioral health, substance use disorder, and healthcare services.

**CATHOLIC CHARITIES OF SPOKANE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 PROGRAM DESCRIPTIONS (CONTINUED)

The Catalyst Project is an emergency supportive housing program that works to create a new pathway out of homelessness for people in the Spokane community who had been occupants of an encampment on land owned by the Washington State Department of Transportation. The building and land used by the Catalyst Project is owned by Catalyst Project LLC, an entity sponsored by Catholic Housing Ventures. The Catalyst Project opened in December 2022 with funding for operations from the Washington State Commerce Rights of Way Initiative to provide emergency supportive housing for homeless clients. The Catalyst Project provides 78 rooms for up to 100 men and women experiencing homelessness. The time that guests may stay in this housing is not limited, but it is not intended to be a permanent home. Instead, it offers essential amenities, such as safe, private, dignified spaces where people may temporarily live while taking steps to exit homelessness. At this site, Catholic Charities provides counseling, substance use disorder treatment, employment services, assistance with access to healthcare services, as well as providing meals and laundry services.

The Loft services teens aged 12 to 17 experiencing homelessness in Walla Walla, Washington. The Loft provides resources for temporary residences, assessment and permanency planning to youth in crisis.

NOTE 3 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure without donor or other restrictions limiting their use within one year of the statement of financial position date comprise the following:

Cash and Cash Equivalents	\$ 2,133,963
Accounts Receivable	3,356,743
Unconditional Promises to Give	718,441
Board Restricted Investments Allocation for 2023	160,000
Less: Restricted Cash and Donor-Restricted Contributions	<u>(2,581,527)</u>
Total	<u><u>\$ 3,787,620</u></u>

Catholic Charities maintains investments managed by the Catholic Charities Foundation (the Foundation). These investments include board restricted funds which are appropriated annually as a part of the budgeting purpose and could be available if necessary. As of December 31, 2022, the balance of board-designated investments was \$1,378,631.

**CATHOLIC CHARITIES OF SPOKANE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 LIQUIDITY AND AVAILABILITY (CONTINUED)

In addition, the Catholic Charities Foundation, an independent nonprofit corporation, maintains additional designated investments for the future benefit of Catholic Charities. As of December 31, 2022, balance of Foundation investments designated for the support of Catholic Charities was \$2,098,280. From time to time, Foundation funds are approved by the Foundation Board to support the needs of Catholic Charities.

Catholic Charities and Catholic Housing Services of Eastern Washington maintain board approved agreements where either party may borrow from the other party to meet short-term cash needs, subject to certain conditions being met.

Catholic Charities maintains a line of credit in the amount of \$1,500,000, which could be drawn upon in the event of a liquidity need.

NOTE 4 INVESTMENTS

Investments at fair market value consisted of the following classifications at December 31:

	2022
Money Market Funds	\$ 69,503
Common Stock and Mutual Funds	2,244,255
Taxable Bonds	172,695
Total	\$ 2,486,453

A summary of investment income recognized in the statement of activities and changes in net assets are as follows for the year ended December 31:

	2022
Catholic Charities Investments:	
Net Realized and Unrealized Gains	\$ (602,243)
Interest and Dividends, Net of Fees of \$22,891 in	66,922
Total	\$ (535,321)

NOTE 5 FAIR VALUE MEASUREMENTS

The FASB Accounting Standards Codification (ASC) 820 provides the framework for measuring fair market value. That framework provides a fair market value hierarchy that prioritizes the inputs to valuation techniques used to measure fair market 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).

**CATHOLIC CHARITIES OF SPOKANE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

The three levels of the fair market value hierarchy defined by FASB ASC 820 are as follows:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities. Active markets are those in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date. Level 2 includes those financial instruments that are valued using models or other valuation methodologies. These models are primarily industry-standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors, and current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace throughout the full term of the instrument, can be derived from observable data, or are supported by observable levels at which transactions are executed in the marketplace.

Level 3 – Pricing inputs include significant inputs that are generally unobservable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair market value. Level 3 instruments include those that may be more structured or otherwise tailored to the Organization's needs.

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair market value measurement.

The Organization's assessment of the significance of a particular input to the fair market value measurement requires judgment and may affect the valuation of fair market value assets and liabilities and their placement within the fair market value hierarchy levels. Following is a description of the valuation methodologies used for assets measured at fair market value. There have been no changes in the methodologies used at December 31, 2022.

Beneficial Interest in Catholic Charities Foundation

Valued at fair market value based on unadjusted quoted market prices of the underlying investments.

The methods described above may produce a fair market value calculation that may not be indicative of net realizable value or reflective of future fair market values.

Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair market value of certain financial instruments could result in a different fair market value measurement at the reporting date.

**CATHOLIC CHARITIES OF SPOKANE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

Beneficial Interest in Catholic Charities Foundation (Continued)

The following tables disclose by level, within the fair market value hierarchy, the Organization's assets measured and reported on the statement of financial position at fair market value on a recurring basis at December 31:

December 31, 2022	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 69,503	\$ -	\$ -	\$ 69,503
Common Stock	1,666,529	-	-	1,666,529
Taxable Bonds	172,695	-	-	172,695
Mutual Funds	577,726	-	-	577,726
Beneficial Interest in Catholic Charities Foundation	-	-	2,098,280	2,098,280
Total	<u>\$ 2,486,453</u>	<u>\$ -</u>	<u>\$ 2,098,280</u>	<u>\$ 4,584,733</u>

No financial assets were transferred in or out of Level 3, or purchases or issues of Level 3 assets.

The following table sets forth a summary of the Organization's Level 3 assets at December 31:

Instruments	Fair Value 2022	Principal Valuation Technique	Unobservable Inputs
Beneficial Interest in Catholic Charities Foundation	<u>\$ 2,098,280</u>	Fair Market Value	Value of Underlying Assets

NOTE 6 PROMISES TO GIVE

Catholic Charities had uncollected unconditional promises to give as of December 31, 2022:

Unconditional Promises to Give Due in Less Than One Year	<u>2022</u> <u>\$ 718,441</u>
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NOTE 7 NOTE RECEIVABLE

Catholic Charities has a note receivable from Catholic Housing Services of Eastern Washington for \$500,000. The note was initiated on March 15, 2022 and has a one year term, maturing on March 15, 2023. The note calls for quarterly interest only payments at 2.25%. The note is unsecured. On March 15, 2023, Catholic Charities agreed to extend the term of the note receivable with a new maturity date of September 15, 2023. During the extended term, the note will bear interest at *The Wall Street Journal* prime rate on March 15, 2023 and adjusted at the beginning of each quarter.

**CATHOLIC CHARITIES OF SPOKANE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 8 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2022
Land	\$ 2,134,630
Buildings	15,894,397
Building Improvements	2,040,956
Furniture, Fixtures, and Equipment	1,883,469
Total	21,953,452
Less: Accumulated Depreciation	(11,172,452)
Property and Equipment, Net	\$ 10,781,000

NOTE 9 INVESTMENT IN PARTNERSHIP

Catholic Charities is a limited partner in Othello Housing Associates dba Desert Haven, CHSEW is the general partner. Catholic Charities was gifted a 99.99% ownership December 31, 2018, CHSEW owns .01%. The purpose is to manage and operate a low-income housing project.

Catholic Charities is accounting for its investment in the limited partnership by the equity method of accounting under which Catholic Charities' share of the net income or loss of the limited partnership is recognized as income or loss in the statement of activities.

NOTE 10 BUILDING SALE AND LEASEBACK

On June 7, 2013, Catholic Charities sold the Catholic Charities Family Services Center at 12 E. 5th Avenue, Spokane, Washington, to Providence Health and Services (PH&S) in exchange for the forgiveness of the remaining value of the note payable to PH&S for the acquisition of the building and a lease agreement allowing Catholic Charities to occupy the building for 30 years at the rate of \$1 per year. Under the terms of the lease, Catholic Charities is responsible for building maintenance and repairs.

The sale of the building did not meet criteria for recognition as a sale therefore, Catholic Charities must recognize the transaction under the deposit method under the guidance for transactions classified as a "failed sale leaseback". Under the deposit method the seller does not recognize any profit or loss on the transaction and continues to report in its financial statements the property and related debt. At the end of the 30-year lease term, the sale will be considered to be consummated and at that time Catholic Charities will remove the property and related liability from its financial statements and recognize a gain or loss on the sale. The debt related to this transaction is shown on the statement of financial position as building deposit, the balances was \$2,178,714 at December 31, 2022.

**CATHOLIC CHARITIES OF SPOKANE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 11 NOTES PAYABLE

Catholic Charities has an unsecured line of credit with a local bank that provides for borrowings up to \$1,500,000. The line of credit in the amount of \$1,500,000 bears interest at *The Wall Street Journal* index rate, with a minimum rate of 3.25%. Catholic Charities had no balance outstanding and \$1,500,000 available under the line of credit which matures December 31, 2023.

NOTE 12 DESIGNATED NET ASSETS

Catholic Charities maintains investments with the Catholic Charities Foundation (the Foundation) that presently consists of nine individual funds established for a variety of purposes. These funds include both operating reserves and endowment funds. The endowment funds include both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments.

As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The board of directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the prudent management of the corpus of permanently restricted gifts based on the spending and other investment policies of the Organization, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classified the following amounts as donor-restricted net assets in perpetuity in the accompanying financial statements:

- The fair value of the gifts donated to the permanent endowment at the end of the fiscal year.
- Accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument or statute at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment funds that is not held in perpetuity is classified as donor-restricted net assets held until those amounts are appropriated for expenditure in a manner consistent with the donor's stipulations.

**CATHOLIC CHARITIES OF SPOKANE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 12 DESIGNATED NET ASSETS (CONTINUED)

Interpretation of Relevant Law (Continued)

In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purposes of the Organization and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the Organization.
- The investment policies of the Organization.

Endowment net asset composition by type of fund as of December 31, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-Restricted Endowment Funds	\$ -	\$ 791,854	\$ 791,854
Board-Designated Endowment Funds	891,067	-	891,067
Total	<u>\$ 891,067</u>	<u>\$ 791,854</u>	<u>\$ 1,682,921</u>
Endowment Net Assets - Beginning of Year	\$ 1,409,276	\$ 975,628	\$ 2,384,904
Net Investment Income	(213,429)	(145,946)	(359,375)
Appropriation of Endowment Assets for Expenditure	<u>(304,780)</u>	<u>(37,828)</u>	<u>(342,608)</u>
Endowment Net Assets - End of Year	<u>\$ 891,067</u>	<u>\$ 791,854</u>	<u>\$ 1,682,921</u>

**Description of Amounts Classified as Net Assets with Donor Restrictions
(Endowment Only)**

The portion of perpetual endowment funds that is required to be retained permanently by explicit donor stipulation is \$745,000. As of December 31, 2022, no endowment funds with donor restrictions were temporary in nature.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Organization to retain as a fund of perpetual duration (underwater endowments). We have interpreted SPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2022, funds with original gift values of \$745,000, and fair value of \$791,854 were reported in net assets with donor restrictions.

**CATHOLIC CHARITIES OF SPOKANE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 12 DESIGNATED NET ASSETS (CONTINUED)

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that meet or exceed the annual distribution described below, plus inflation as measured by the trailing 12 months published Consumer Price Index.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation intended to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating for distribution each year no more than 6% of its endowment fund's average market value over the prior 12 quarters. The amount of the annual distribution will be determined annually by the board of directors.

NOTE 13 DONOR-RESTRICTED NET ASSETS

Donor-restricted net assets are available for the following purposes or periods as of December 31:

	<u>2022</u>
For Program Activities:	
Catholic Relief Services	\$ 19,470
Christmas Bureau	937,364
CCEW Programs	3,205,554
For Future Operations:	
Beneficial Interest in the Foundation	2,098,280
To Be Held in Perpetuity:	
Rising Strong Operating Endowment	650,000
Land to be used for St. Anne's Childcare Center	451,800
Walla Walla Housing	95,000
Total	<u>\$ 7,457,468</u>

**CATHOLIC CHARITIES OF SPOKANE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 13 DONOR-RESTRICTED NET ASSETS (CONTINUED)

Net assets were released from donor restriction by incurring expenses satisfying the restricted purposes or by expiration of time restrictions for the years ended December 31:

	2022
Purpose Restrictions Accomplished:	
Campaign for Human Development	\$ 14,100
Catholic Relief Services	83,546
CCEW Programs	3,494,127
Total	\$ 3,591,773

In 2003, the Organization received an in-kind donation of land with an estimated fair value of \$451,800. The use of the land is restricted child-care center at St. Anne's Children and Family Center. In 2006, Catholic Charities received endowment funds held by the Foundation. Included in these funds was \$95,000 restricted for housing in Walla Walla. In 2020, Catholic Charities received endowment funds of \$650,000 to support the Rising Strong program and the Madeline Schaff Family Center at the Sisters Haven.

NOTE 14 COMMITMENTS AND CONTINGENCIES

Catholic Charities is a party to certain assertions and legal actions arising in the normal course of operations. In this regard, there are no instances management believes that might result in the assertion of additional claims. Based on consultation with counsel and an evaluation of such matters, management is of the opinion that such matters are either adequately covered by insurance or valid defenses exist, and settlement of such matters will not have a material adverse effect on the financial position of Catholic Charities.

NOTE 15 CONCENTRATION OF CREDIT RISK

Catholic Charities maintains deposits in excess of federally insured limits at one financial institution, which potentially subjects the Organization to credit risk. Cash balances include a cash management sweep account that is not insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$2,135,863 as of December 31, 2022.

During the year ended December 31, 2022, Catholic Charities received 44% of its operating revenue from contracts with federal, state, or local governmental entities and 21% from contributions. The amount of governmental grant funding received each year is dependent upon competition within the area for a limited amount of budgeted government funding.

**CATHOLIC CHARITIES OF SPOKANE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 16 GUARANTEES

In association with Catholic Housing Services of Eastern Washington, an affiliated entity, Catholic Charities of Spokane has provided guarantees for various related entities to support the construction and operation of affordable housing properties. Catholic Charities of Spokane acts as guarantor for the lender and/or investor in the projects specified below. Guarantees include guarantees for construction completion, credit delivery, operating deficit during a specified stabilization period, and tax credit adjustments during a compliance period. Catholic Housing Services of Eastern Washington also acts as a guarantor on each of these agreements. The guaranteed agreements may have covenants related to net worth and liquidity for Catholic Charities of Spokane and Catholic Housing Services of Eastern Washington. The table below indicates the guarantees in place as of December 31, 2022 and the expected expiration date of the guaranteed provision.

Entity	Description of Guarantee	Year Initiated	Expiration Date	Net Worth and Liquidity Requirement Expiration
Guadalupe Haven	Tax credit downward adjustment, shortfall or recapture during a 15 year compliance period	2015	12/31/2032	N/A
Fr. Bach II Housing LLC (Buder Haven)	Tax credit downward adjustment, shortfall or recapture during a 15 year compliance period	2015	12/31/2031	N/A
Fr Bach Housing III LLC (Donna Hanson Haven)	Tax credit downward adjustment, shortfall or recapture during a 15 year compliance period	2016	12/31/2033	N/A
Holy Names Housing LLC (Sisters Haven)	Tax credit downward adjustment, shortfall or recapture during a 15 year compliance period	2017	12/31/2037	N/A
Fr Bach Haven IV (Jacklin Haven)	Operating Deficit Guarantee	2018	5/1/2023	N/A
Fr Bach Haven IV LLLC (Jacklin Haven)	Tax credit downward adjustment, shortfall or recapture during a 15 year compliance period	2018	12/31/2034	N/A
New Cathedral Plaza LLC and New O'Malley LLC	Operating Deficit Guarantee up to \$475,000 for New Cathedral Plaza LLC and \$850,000 for New O'Malley LLC during the first five years of operations	2018	12/31/2025	12/31/2034

**CATHOLIC CHARITIES OF SPOKANE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 16 GUARANTEES (CONTINUED)

Entity	Description of Guarantee	Year Initiated	Expiration Date	Net Worth and Liquidity Requirement Expiration
Pope Francis Haven LLC	Operating Deficit Guarantee up to \$210,000 during the first three years of operations	2017	1/1/2023	N/A
Pope Francis Haven LLC	Tax credit downward adjustment, shortfall or recapture during a 15 year compliance period	2017	12/31/2032	N/A
Fr. Bach Haven V LLC (Schweitzer Haven)	Operating Deficit Guarantee up to \$160,000 during the first three years of operations	2018	6/1/2023	N/A
Fr. Bach Haven V LLC (Schweitzer Haven)	Tax credit downward adjustment, shortfall or recapture during a 15 year compliance period	2018	12/31/2034	N/A
Gonzaga Haven LLC	Operating Deficit Guarantee up to \$250,000 during the first three years of operations	2020	5/1/2025	N/A
Gonzaga Haven LLC	Tax credit downward adjustment, shortfall or recapture during a 15 year compliance period	2020	12/31/2037	N/A
Mother Teresa Haven Manager LLC	Operating Deficit Guarantee up to \$195,000 during the first three years of operations	2021	3/1/2026	2/1/2023
Mother Teresa Haven Manager LLC	Tax credit downward adjustment, shortfall or recapture during a 15 year compliance period	2021	12/31/2037	2/1/2023
Pasco Haven LLC	Operating Deficit Guarantee up to \$195,000 during the first three years of operations	2021	9/1/2026	3/1/2024
Pasco Haven LLC	Tax credit downward adjustment, shortfall or recapture during a 15 year compliance period	2021	12/31/2038	3/1/2024

**CATHOLIC CHARITIES OF SPOKANE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 16 GUARANTEES (CONTINUED)

Catholic Charities of Spokane and Catholic Housing Services of Eastern Washington also agreed to guarantee performance on another project with an unaffiliated entity.

Entity	Description of Guarantee
Volunteers MM LLC, managing member, for Volunteers LIHTC LLC (The Marilee)	A guarantee originated in 2015 includes provisions that if the managing member fails to pay or perform any obligations when due, the guarantors will upon demand pay all amounts and perform all other managing member obligations as are necessary to ensure full compliance, including potential payment of compensation for damages resulting from noncompliance. The guarantee remains in effect until the LLC agreement is amended.

NOTE 17 EMPLOYEE RETIREMENT PLAN

Prior to January 1, 2012, the employees of Catholic Charities participated in a defined contribution plan adopted by the Diocese of Spokane. On January 1, 2012, the assets of the retirement and 403(b) plans were transferred to new plans established by Catholic Charities of Spokane. All employees having attained 18 years of age and worked 1,000 hours within a year period are eligible for the defined contribution plan, which incorporates a four-year vesting schedule. Contributions to the defined contribution plan amounted to \$478,684 during 2022.

NOTE 18 FUNDRAISING

Catholic Charities incurs fundraising expenses related to various causes. Total fundraising expenses were \$1,004,283 during 2022.

NOTE 19 RELATED PARTY TRANSACTIONS

Catholic Charities Sponsored Housing Complexes

Catholic Charities provides management services to housing complexes sponsored by the Organization. Catholic Charities received the following support and fees from Catholic Housing Services of Eastern Washington and their related property entities:

	<u>2022</u>
Property Management and Administrative Services Fees	\$ 4,147,794
Housing and Social Services Fees	765,059
Guarantee Fees	250,000
Board Approved Charitable Support	1,450,000

The Organization paid Holy Names complex owned by Catholic Housing Services of Eastern Washington \$492,401 for occupancy expenses in 2022.

**CATHOLIC CHARITIES OF SPOKANE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 19 RELATED PARTY TRANSACTIONS (CONTINUED)

Catholic Charities Sponsored Housing Complexes (Continued)

Catholic Housing Services of Eastern Washington paid Catholic Charities \$35,117 for occupancy expense in 2022.

Catholic Charities Foundation

The Organization received \$330,743 in support for Catholic Charities programs from the Catholic Charities Foundation in 2022.

NOTE 20 LEASES

The Organization leases office equipment as well as office space for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through 2027. Office and space at various sites is rented from Catholic Housing Services of Eastern Washington with a base rent of \$492,401 a year.

The following tables provide quantitative information concerning Catholic Charities' leases for the year ended December 31, 2022:

Lease Cost

Finance Lease Cost		
Amortization of Right-of-Use Assets	\$	16,600
Interest on Lease Liabilities		1,011
Operating Lease Cost		954
Total Lease Cost	<u>\$</u>	<u>18,565</u>

Other Information

Cash Paid for Amounts Included in the Measurement of Lease Liabilities		
Operating Cash Flows from Finance Leases	\$	1,011
Operating Cash Flows from Operating Leases		954
Financing Cash Flows from Finance Leases		17,866
Right-of-Use Assets Obtained in Exchange for New Finance Lease Liabilities		83,002
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities		25,822
Weighted-Average Remaining Lease Term - Finance Leases		4.8 Years
Weighted-Average Remaining Lease Term - Operating Leases		4.8 Years
Weighted-Average Discount Rate - Finance Leases		1.37%
Weighted-Average Discount Rate - Operating Leases		4.27%

**CATHOLIC CHARITIES OF SPOKANE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 20 LEASES (CONTINUED)

A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2022, is as follows:

<u>Year Ending December 31,</u>	<u>Operating</u>	<u>Finance</u>	<u>Totals</u>
2023	\$ 5,724	\$ 18,453	\$ 24,177
2024	5,724	16,672	22,396
2025	5,724	15,572	21,296
2026	5,724	11,384	17,108
2027	4,770	6,293	11,063
Undiscounted Cash Flows	27,666	68,374	96,040
Less: Imputed Interest	(2,620)	(3,238)	(5,858)
Total Present Value	<u>\$ 25,046</u>	<u>\$ 65,136</u>	<u>\$ 90,182</u>
Short-Term Lease Liabilities	\$ (4,767)	\$ (17,702)	\$ (22,469)
Long-Term Lease Liabilities	(20,279)	(47,434)	(67,713)
Total	<u>\$ (25,046)</u>	<u>\$ (65,136)</u>	<u>\$ (90,182)</u>

The Organization also leases facilities space from various third parties on a month-to-month basis.

The Organization also leases facilities space from various third parties on a month-to-month basis. Rental expense was approximately \$542,927 in the year ended December 31, 2022.

NOTE 21 IN-KIND CONTRIBUTIONS

In-kind contributions consisted of:

<u>Description</u>	<u>Amount</u>	<u>Usage in Programs/Activity</u>	<u>Donor-Imposed Restrictions</u>	<u>Fair Value Techniques</u>
Household Items	\$ 52,500	Parish Social Ministries and Housing Social Services	None	Estimated value of goods based on thrift store valuations
Food Vouchers	163,920	Food For All	Distribution of Senior Farmers Market Nutrition Program checks to eligible seniors	Nominal value of vouchers distributed
Food Supplies	18,666	House of Charity	For use in client meals	Market value provided by food bank
	<u>\$ 235,086</u>			

**CATHOLIC CHARITIES OF SPOKANE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 22 RESTATEMENT

On June 7, 2013, Catholic Charities sold the Catholic Charities Family Services Center at 12 E. 5th Avenue, Spokane, Washington, to Providence Health and Services (PH&S) in exchange for the forgiveness of the remaining value of the note payable to PH&S for the acquisition of the building and a lease agreement allowing Catholic Charities to occupy the building for 30 years at the rate of \$1 per year. In 2013, Catholic Charities recognized the loss related to this transaction and a capital lease for the term of the building lease. As part of the lease accounting evaluation in 2022, Catholic Charities determined the transaction did not qualify to be recognized as a sale. As a result, Catholic Charities restated the January 1, 2022 balance of net assets to recognize the transaction under failed sale leaseback accounting, see Note 10.

Additionally, Catholic Charities restated beginning January 1, 2022 balance of net assets to properly recognize contributions that were not recognized in the correct period.

Beginning net assets as of January 1, 2022 were restated as follows:

	Without Donor Restriction	With Donor Restriction	Total
Net Assets - January 1, 2022, As Originally Reported	\$ 11,087,271	\$ 8,950,617	\$ 20,037,888
Failed Sale Leaseback	1,966,895	-	1,966,895
Correction of Contributions Received in Prior Year	-	800,000	800,000
Net Assets - January 1, 2022, As Restated	<u>\$ 13,054,166</u>	<u>\$ 9,750,617</u>	<u>\$ 22,804,783</u>



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