

**CATHOLIC COMMUNITY SERVICES OF
WESTERN WASHINGTON**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**



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**CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
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YEAR ENDED JUNE 30, 2020**

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Catholic Community Services of Western Washington
Seattle, Washington

Report on the Financial Statements

We have audited the accompanying financial statements of Catholic Community Services of Western Washington (the Organization), a Washington nonprofit corporation, which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Catholic Community Services of Western Washington as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited the Organization's 2019 financial statements, and our report dated February 19, 2020 expressed an unmodified audit opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) 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. The schedules of financial position by division and activities by division are presented for purposes of additional analysis and are 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 auditing standards generally accepted in the United States of America. 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 22, 2021, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Organization's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Bellevue, Washington
March 22, 2021

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

ASSETS	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	\$ 30,624,468	\$ 27,013,492
Accounts receivable, net of allowance for doubtful accounts of \$286,210 and \$119,451 in 2020 and 2019, respectively	30,177,988	22,768,680
Interest and accounts receivable, related parties	2,534,841	2,510,412
Pledges receivable, current portion	1,025,000	1,200,000
Notes receivable, related parties, current portion, net of allowance of \$202,808	415,112	51,717
Notes receivable, current portion	43,520	43,520
Prepaid expenses	803,016	467,764
Other current assets	42,541	48,019
Total current assets	65,666,486	54,103,604
PROPERTY AND EQUIPMENT		
Land	7,326,397	6,623,967
Construction in progress	8,842,520	884,774
Building and equipment, net of accumulated depreciation of \$15,672,387 and \$14,365,360 in 2020 and 2019, respectively	26,805,917	27,045,401
Total property and equipment	42,974,834	34,554,142
OTHER ASSETS		
Pledges receivable, net of current portion	50,517	1,205,517
Notes receivable, related parties, net of current portion and allowance for doubtful accounts of \$2,013,000 at June 30, 2020 and 2019	2,243,438	2,682,930
Lease receivable	1,238,553	1,121,924
Prepaid ground lease	588,000	600,000
Cash, maintenance reserve account	194,271	210,853
Investments	1,434,032	1,434,032
Accounts receivable, endowment funds held by related party	241,880	241,880
Total other assets	5,990,691	7,497,136
Total assets	\$ 114,632,011	\$ 96,154,882

See accompanying Notes to Financial Statements.

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
STATEMENT OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

LIABILITIES AND NET ASSETS	2020	2019
CURRENT LIABILITIES		
Accounts payable	\$ 5,356,896	\$ 2,928,901
Accounts payable, related parties	1,497,086	1,515,531
Accrued payroll and related expenses	12,761,110	8,810,033
Notes payable, installment, current portion, including related party payable of \$62,790 and \$59,654, respectively	109,390	106,254
Refundable deposits	420,146	481,343
Accrued liabilities	424,413	472,270
Deferred revenue	3,087,978	2,076,579
Funds held in trust	36,233	48,211
Total current liabilities	23,693,252	16,439,122
LONG-TERM LIABILITIES		
Notes payable, installment, net of current portion, including related party payable of \$2,554,087 and \$2,616,934, respectively	2,965,721	3,075,168
Notes payable, forgivable	17,851,719	12,303,684
Notes payable, deferred	350,000	350,000
Line of credit, related party	977,136	146,467
Deferred lease revenue, long term	1,301,445	1,324,834
Total long-term liabilities	23,446,021	17,200,153
Total liabilities	47,139,273	33,639,275
NET ASSETS		
Without donor restrictions	56,095,620	51,755,876
With donor restrictions:		
Perpetual in nature	197,739	197,739
Purpose and time restrictions	11,199,379	10,561,992
Total with donor restrictions	11,397,118	10,759,731
Total net assets	67,492,738	62,515,607
Total liabilities and net assets	\$ 114,632,011	\$ 96,154,882

See accompanying Notes to Financial Statements.

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2020	2019
SUPPORT AND REVENUE				
Fees and grants from governmental agencies	\$ 180,257,699	\$ -	\$ 180,257,699	\$ 156,339,488
Contributions	14,347,054	2,725,038	17,072,092	24,081,916
Contributions, United Way:				
Allocations	429,028	-	429,028	438,324
Donor-designated	118,031	-	118,031	147,216
Legacies and bequests	613,982	-	613,982	1,114,930
Special events	-	-	-	29,394
Fees and other income:				
Private program service fees	9,710,511	-	9,710,511	9,912,700
Training fees	3,105,989	-	3,105,989	3,574,912
Investment income	570,588	12,775	583,363	771,439
Development and management fees	399,871	-	399,871	428,284
Rental income and fees	381,203	-	381,203	650,825
Miscellaneous revenue	170,900	-	170,900	739,089
Net assets released from restrictions	2,100,426	(2,100,426)	-	-
Total support and revenue	212,205,282	637,387	212,842,669	198,228,517
EXPENSES AND LOSSES				
Program services	191,502,493	-	191,502,493	173,876,445
Management and general	14,958,790	-	14,958,790	12,365,314
Fundraising	1,404,255	-	1,404,255	1,289,568
Total expenses	207,865,538	-	207,865,538	187,531,327
Total expenses and losses	207,865,538	-	207,865,538	187,531,327
CHANGE IN NET ASSETS	4,339,744	637,387	4,977,131	10,697,190
Net assets - beginning of year	51,755,876	10,759,731	62,515,607	51,818,417
NET ASSETS - END OF YEAR	<u>\$ 56,095,620</u>	<u>\$ 11,397,118</u>	<u>\$ 67,492,738</u>	<u>\$ 62,515,607</u>

See accompanying Notes to Financial Statements.

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	Social Services	Long-Term Care	Total Program	Management and General	Fundraising	Totals	
						2020	2019
Salaries and related payroll expenses	\$ 82,236,499	\$ 62,557,067	\$ 144,793,566	\$ 10,438,703	\$ 826,686	\$ 156,058,955	\$ 138,926,518
Contributions, grants, and specific assistance/foster care payments	25,085,170	36,355	25,121,525	516	-	25,122,041	22,441,173
Professional fees and contract service payments	1,074,104	2,653,514	3,727,618	2,312,140	56,080	6,095,838	4,957,000
Occupancy	4,796,429	771,715	5,568,144	438,843	16,053	6,023,040	5,390,055
Supplies	2,236,396	1,246,209	3,482,605	232,089	19,232	3,733,926	3,762,924
In-kind expenses	2,787,192	-	2,787,192	-	-	2,787,192	3,245,069
Depreciation	1,359,976	81,298	1,441,274	95,018	3,576	1,539,868	1,651,153
Telephone	1,234,328	124,911	1,359,239	97,254	5,236	1,461,729	1,258,214
Equipment rental and maintenance	529,263	111,046	640,309	315,702	37,573	993,584	1,238,854
Taxes and insurance	297,365	106	297,471	586,199	-	883,670	878,244
Travel	539,400	150,725	690,125	34,906	148	725,179	896,241
Printing and advertisement	265,553	87,152	352,705	81,436	202,284	636,425	712,229
Conferences	373,412	138,162	511,574	10,434	879	522,887	764,325
Miscellaneous	200,590	620	201,210	125,430	49,574	376,214	428,354
Interest and bank charges	213,103	29,816	242,919	21,540	42,017	306,476	340,006
Dues and fees	162,310	3,039	165,349	116,595	330	282,274	323,101
Postage	56,275	63,393	119,668	21,711	29,455	170,834	162,333
Venue and catering	-	-	-	-	115,132	115,132	134,980
Bad debts	-	-	-	30,274	-	30,274	20,554
Total	\$ 123,447,365	\$ 68,055,128	\$ 191,502,493	\$ 14,958,790	\$ 1,404,255	\$ 207,865,538	\$ 187,531,327

See accompanying Notes to Financial Statements.

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,977,131	\$ 10,697,190
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,539,868	1,651,153
Net loss (gain) on equity method investments	-	40
Loss on sale of assets	-	16,842
Recovery of bad debts	-	(756,000)
Allowance for uncollectible notes receivable	-	216,000
(Increase) decrease in operating assets:		
Accounts receivable	(7,409,308)	(3,209,751)
Accounts receivable, related parties	(24,429)	(879,323)
Pledges receivable	1,330,000	(1,290,987)
Prepaid expenses	(323,252)	(597,784)
Other current assets	5,478	38,439
Lease receivable	(116,629)	(107,605)
Increase (decrease) in operating liabilities:		
Accounts payable	2,427,995	519,244
Accounts payable, related parties	(18,445)	576,652
Accrued payroll and related expenses	3,951,077	358,949
Other accrued liabilities	(121,032)	78,088
Deferred revenue	988,010	927,715
Net cash provided by operating activities	7,206,464	8,238,862
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(9,960,560)	(2,168,462)
Sale of property and equipment	-	48,586
Increase in notes receivable, related parties, net	(155,786)	(228,640)
Funding of notes receivable	(10,000)	-
Payments received on notes receivable	241,883	930,539
Appropriations from (deposits to) cash, endowment fund	-	(11,929)
Net cash used by investing activities	(9,884,463)	(1,429,906)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	(106,311)	(2,135,267)
Borrowings (payments) on line of credit, net	830,669	(27,915)
Proceeds from notes payable	5,548,035	770,132
Net cash provided (used) by financing activities	6,272,393	(1,393,050)
NET INCREASE IN CASH	3,594,394	5,415,906
Cash - beginning of year	27,224,345	21,808,439
CASH - END OF YEAR	\$ 30,818,739	\$ 27,224,345

See accompanying Notes to Financial Statements.

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	2020	2019
RECONCILIATION OF CASH AND RESTRICTED CASH - END OF YEAR PER THE CASH FLOW STATEMENT TO CASH AND RESTRICTED CASH PER THE BALANCE SHEET		
Cash and cash equivalents	\$ 30,624,468	\$ 27,013,492
Maintenance reserve account	194,271	210,853
Cash - end of year per cash flow statement	\$ 30,818,739	\$ 27,224,345
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ 149,029	\$ 216,451

See accompanying Notes to Financial Statements.

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Catholic Community Services of Western Washington (CCS or the Organization) was incorporated as a Washington nonprofit corporation during 1988. The purpose of CCS is to minister to the needs of individuals, families, and groups in western Washington who are poor, troubled, or otherwise in need, with a broad range of interrelated services. Through CCS, the Roman Catholic Church in Western Washington seeks to demonstrate its caring and compassion by serving those in need. Such needs are met by professionals, trained volunteers, and lay helpers working in partnership to provide direct social services, advocacy on behalf of individuals, and empowerment of local community groups. To accomplish this objective, special purpose programs have been designed to meet the physical, emotional, and spiritual needs of the community. Service and Area Divisions operate social service programs at a number of locations under various names.

The financial statements include the activity of the Governance Office (Western Washington) and the following Service and Area Divisions of CCS: Catholic Community Services King County (King County), Catholic Community Services Southwest (Southwest), the Long-Term Care System (Long-Term Care) and Catholic Community Services Northwest (Northwest). All material interdivision transactions have been eliminated.

Financial Statement Presentation

CCS's financial statements are presented on the accrual basis of accounting. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

Cash and Cash Equivalents

CCS considers all highly liquid investments with a maturity date of three months or less at date of purchase to be cash equivalents.

At times, cash deposits, including amounts held in reserves, exceed the federally insured limits of the financial institution and expose the Organization to credit risk. At June 30, 2020, the Organization's deposits exceeded the federally insured limits by approximately \$30 million. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts Receivable

Accounts receivable consists primarily of fees to be collected from third-party payors and private-pay payors under various sliding fee schedules. Accounts receivable from third-party payors are adjusted to the amount expected to be collected from the third-party payor. Any subsequent adjustment to the actual amount collected is recorded as a direct reduction of revenue. Other accounts receivable and contributions receivable are valued based on management's estimate of expected losses due to uncollectibility of account balances by recording an allowance for doubtful accounts.

**CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable – Endowment Funds Held by Related Party

CCS has received donations to establish permanent endowment funds to primarily provide program services. Terms of the donations require the funds to be segregated from other organization funds. CCS has transferred the endowment funds to The Catholic Charities Foundation (CCF) to hold as restricted funds in trust for CCS.

Pledges Receivable

Pledges are recorded as receivables and revenue when received. CCS distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. Long-term pledges are not discounted as the impact is not material. There is no allowance for uncollectible pledges as management believes the amounts to be fully realizable. At June 30, 2020, pledges from one donor comprised 93% of pledges receivable. At June 30, 2020 pledges to be collected in one year were \$1,025,000 and pledges to be collected in two to five years were \$50,517.

Property and Equipment

Land, building, and equipment are recorded at cost for items purchased and at estimated fair market value for items donated. Depreciation is computed based on this cost less salvage value. Salvage value for buildings and improvements is evaluated individually by management based on prior experience and in total is approximately 18% of historical cost. In accordance with the capitalization policy, acquisitions of individual items costing \$2,500 or less are expensed in the year of acquisition.

Property, equipment, and accumulated depreciation at June 30, 2020 are as follows:

Buildings and improvements	\$ 33,773,447
Furniture and equipment	4,117,194
Leasehold improvements	<u>4,587,663</u>
Total property and equipment	42,478,304
Less: Accumulated depreciation	<u>15,672,387</u>
Property and equipment, net	<u><u>\$ 26,805,917</u></u>

CCS reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. No impairment losses were recognized in 2020.

Depreciation is calculated on the straight-line basis over the following estimated useful lives:

Buildings	30 to 40 Years
Building improvements	5 to 31 Years
Furniture and equipment	3 to 10 Years
Leasehold improvements	3 to 15 Years

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

A portion of the CCS's revenue is derived from cost-reimbursable state and local contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Organization was awarded, but did not receive an advance for, cost-reimbursable grants of \$33,332,867, for which qualifying expenditures have not yet been incurred and accordingly has not been recognized as revenue at June 30, 2020.

Deferred Revenue

Amounts received in advance for services to be provided in the future are recorded as deferred revenue. Amounts deferred are recognized as earned revenue as services are provided.

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 Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

CCS reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a 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.

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions In-Kind

Donations of property, materials, and services are recorded as support at their estimated fair values at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Donated use of facilities is recognized at the fair value of rents (Note 13).

Functional Allocation of Expenses

The financial statements report categories of expenses that are attributable to the program and supporting functions. All expenses are allocated based on direct usage utilizing the methodology of direct allocation with the exception of occupancy, which is based on square footage, and computer support cost in professional fees is based on the number of computers used by the program or supporting function. Expenses that directly benefit program participants are classified as program services of social services or long-term care services. Expenses that support the program services are assigned to management and general and fundraising as supporting services.

Estimates and Assumptions

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Change in Accounting Principles

For the year ended June 30, 2020, the Organization adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows (Topic 230), Restricted Cash*. This ASU was issued to clarify guidance on the classification and presentation of restricted cash in the statement of cash flows and reduce diversity in practice. The amendments to this ASU require that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and restricted cash or restricted cash equivalents. Therefore, restricted cash and restricted cash equivalents are included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The financial statements reflect the application of ASU 2016-18, using a retrospective approach to each period presented.

In June 2018, FASB issued ASU 2018-08 related to the accounting for contributions received and contributions made. This update applies to both resource recipients and resource providers and assists in evaluating whether a transfer of assets is an exchange transaction or a contribution and also assists with distinguishing between conditional and unconditional contributions. Distinguishing between contributions and exchange transactions determines which guidance should be applied. For contributions, the guidance in Subtopic 958-605 should be followed. The ASU is effective for the Organization for the year ended June 30, 2020. No cumulative-effect adjustments in net assets was recorded because the adoption of ASU 2018-08 did not significantly impact the Organization's reported historical revenue.

**CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Reclassifications

Certain prior year amounts have been reclassified for consistency with current year presentation.

NOTE 2 LIQUIDITY AND AVAILABILITY

The table below presents financial assets available for general expenditures within one year at June 30, 2020:

Cash and cash equivalents	\$ 30,624,468
Accounts receivable, net	30,177,988
Accounts receivable, related party	2,534,841
Pledges receivable, current	1,025,000
Notes and leases receivable, current	<u>458,632</u>
	64,820,929
Less: Net assets with donor restrictions, excluding endowment funds held by related party	<u>(10,957,499)</u>
Total financial assets	<u><u>\$ 53,863,430</u></u>

The Organization receives significant contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The organization has a liquidity goal to maintain current financial assets less current liabilities at a minimum of 30 days operating expenses. To achieve this target, the entity forecasts its future cash flows and monitors its liquidity quarterly. During the year ended June 30, 2020, the level of liquidity was managed within the goal objectives.

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3 FEDERAL INCOME TAX

CCS is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). CCS is not a private foundation as defined in IRC Section 509(a). The Organization's tax filings are subject to examination by various taxing authorities.

CCS has evaluated its tax positions and concluded that it has taken no uncertain tax positions that would require material adjustment to the financial statements. In addition, management is not aware of any matters that would cause the loss of its tax-exempt status.

NOTE 4 INVESTMENTS

In 2003, CCS transferred \$350,000 to CCF and specified itself as the beneficiary. CCF holds and invests the funds and has no variance power over the funds. Interest receivable related to earnings on these funds is \$1,167,217 at June 30, 2020.

CCS's investments are as follows:

<u>Division</u>	<u>Related Entity</u>	<u>Investment</u>	<u>Interest</u>
Governance	Catholic Charities Foundation	\$ 350,000	0.00%
<u>Equity Method Investments:</u>			
Southwest	Devoe Housing LLC	99,927	0.01%
Southwest	Devoe II Housing LLC	200,000	0.01%
Southwest	Nativity House Apartments, LLC	767	0.01%
Southwest	Tacoma G Street Family Housing, LLC	(117)	0.01%
Governance	Monica Village Place I Housing LLC	783,455	0.01%
	Total Investments	<u>\$ 1,434,032</u>	

As of December 31, 2019, the total assets and total liabilities of the limited liability companies that CCS has an investment in were \$41,007,256 and \$18,193,255, respectively. Total net loss was \$1,436,154 for the year ended December 31, 2019.

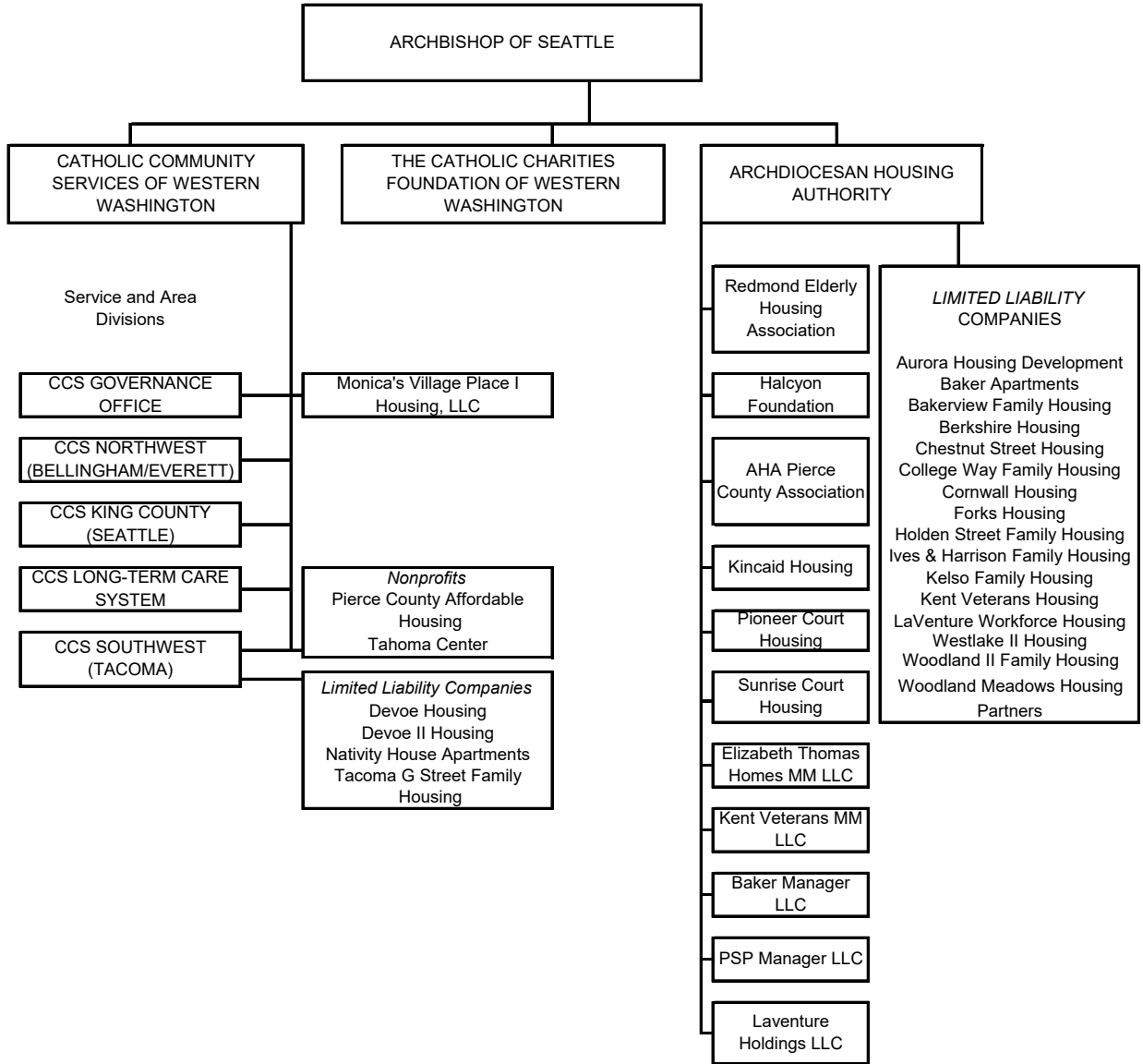
NOTE 5 RELATED PARTY TRANSACTIONS

CCS, The Catholic Charities Foundation of Western Washington (CCF), the Corporation of the Catholic Archbishop of Seattle (CCAS) and Archdiocesan Housing Authority dba Catholic Housing Services (CHS) are related organizations, as the Archbishop of Seattle is the corporation sole of CCAS and the only member of CCS, CCF, and CHS. As the only member, the Archbishop of Seattle has the power to appoint or remove any member of the board of trustees. In addition, certain transactions require the approval of the Archbishop of Seattle. Other entities identified in the diagram are related parties through an interest owned by CCS or CHS, or the Archbishop of Seattle has a fixed number of seats on these boards.

**CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 5 RELATED PARTY TRANSACTIONS (CONTINUED)

The following diagram sets forth the relationship of the various divisions of CCS and certain organizations:



CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5 RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions with related parties included in revenue are as follows:

CCAS	Contributions	\$ 501,004
CHS	Rental income and fees	487,373
CCF	Contributions	500,000
CHS	Management fees	223,424
CHS	Fees and grants	21,627
	Total	<u>\$ 1,733,428</u>

CCS also received pass-through funding of government grants from CHS of approximately \$4.6 million.

In addition, CCS earned fees as managing member of the following entities:

Tacoma G Street Family Housing, LLC	\$ 58,996
Nativity House Apartments, LLC	55,354
Devoe II Housing LLC Management Fee	46,800
Devoe Housing LLC	22,644
Monica Village Place I Housing LLC	10,000
Total	<u>\$ 193,794</u>

Included in occupancy expense are the following transactions with related parties:

Tahoma Center Association	\$ 267,467
CHS	115,367
Total	<u>\$ 382,834</u>

CCS made a grant to CHS for \$295,511 during the year ended June 30, 2020.

CCS rents space for its programs from various locations controlled by CCAS. Rent expense incurred under these leases was \$204,031 for the year ended June 30, 2020.

CCS participates in an insurance program managed by CCAS. (See Note 16).

At June 30, 2020, interest and accounts receivable from related parties were as follows:

CCF	\$ 1,167,217
CHS	845,459
Devoe Housing LLC	161,217
Devoe II	102,789
Nativity House Apartments, LLC	54,865
Pierce County Affordable Housing Association	23,023
Tahoma Center	21,834
Tacoma G Street Family Housing LLC	8
Other	158,429
Total	<u>\$ 2,534,841</u>

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5 RELATED PARTY TRANSACTIONS (CONTINUED)

Notes and lease receivable are described in Notes 6 and 7 respectively below. These receivables have not been discounted as the amount of the discount is not material to the financial statements.

At June 30, 2020, noninterest bearing accounts payable to related parties were as follows:

CCAS	\$ 737,045
CHS	199,544
Other	560,497
Total	\$ 1,497,086

Notes and loans payable to related parties are described in Note 8.

NOTE 6 NOTES RECEIVABLE

CCS provided financing to the following related parties. All such financing is collateralized by a deed of trust on the property owned by the related party. Notes receivable at June 30, 2020 were as follows:

CHS

CHS owes CCS \$221,892 on a note receivable, dated September 1, 1998. Annual payments of principal plus interest at 6% are payable subject to available net cash flow through April 30, 2040. Accrued interest at June 30, 2020 was \$458,036. The note is collateralized by Dorothy Day House.

\$ 680,018

CHS owes CCS \$440,849 on a note receivable, dated April 2, 1998. Annual payments of principal plus interest at 6% are payable subject to available net cash flow through April 30, 2023. Accrued interest at June 30, 2020 was \$589,661. The note is collateralized by the Highland and Tucker Apartments.

1,030,510

CHS owes CCS \$171,143 on a note, dated July 1, 1998. Annual payments of principal plus interest at 6% are payable subject to available net cash flow through April 30, 2023. Accrued interest at June 30, 2020 was \$207,851. The note is collateralized by La Casa del Padre Miguel.

378,994

**CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6 NOTES RECEIVABLE (CONTINUED)

CHS (Continued)

CHS owes CCS \$180,686 on a note dated March 10, 1998. Annual payments of principal plus interest at 6% are payable subject to available net cash flow through July 1, 2020. Accrued interest at June 30, 2020 was \$180,906. The note is collateralized by the Washington Grocery Building. \$ 361,592

Sumner Commons Housing Limited Partnership

Sumner Commons Housing Limited Partnership owes CCS \$51,000 on a note receivable, dated August 20, 2004. Annual payments of \$2,550 for interest only at 5% are due through August 20, 2034. Accrued interest at June 30, 2020 was \$8,925. 59,925

Tacoma G Street LLC

Tacoma G Street LLC owes the Southwest Division of CCS on a note receivable dated December 29, 2008. Payments are subject to available cash flow. The note is noninterest bearing and is due December 31, 2050. 202,000

Tacoma G Street LLC owes the Southwest Division of CCS \$760,000 on a note receivable dated December 29, 2008. Annual payments of principal and interest at the rate of 7% are payable subject to available cash flow through December 31, 2050. Accrued interest at June 30, 2020 was \$896,312. 1,656,312

Tahoma Center Association

Tahoma Center Association owes the Southwest Division of CCS on a note receivable, revised January 27, 2006. Monthly principal payments of \$3,511 for principal plus interest at the 6-month LIBOR plus 2% are required through October 2022. The interest rate at June 30, 2020 was 2.7%. 80,177

Total collateralized notes receivable from related parties 4,449,528

**CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6 NOTES RECEIVABLE (CONTINUED)

CCS has unsecured notes receivable from the following related party:

Monica Village Place I, LLC

Monica Village Place I, LLC owes CCS for development services on a note dated October 15, 2007. Payments are from investor member's capital contributions and available cash flow. The note is noninterest bearing. \$ 212,022

Washington Housing Equity Alliance

Washington Housing Equity Alliance owes CCS on a note receivable dated May 23, 2013. The note is due on demand and bears interest at 4.5%. 10,000

Total unsecured notes receivable from related parties 222,022

CCS has the following note receivable:

Survival of American Indians Association

Survival of American Indians Association owes CCS on a note receivable dated January 26, 2018. The note is noninterest bearing and due at maturity in February 2019. 43,520

Total notes receivable	4,715,070
Less: Current portion	(458,632)
Less: Allowance for unrealized losses	<u>(2,013,000)</u>
Long-term portion	<u>\$ 2,243,438</u>

Notes receivable are evaluated individually for impairment and collectability. A note is considered impaired when, based on currently available information, it is probable that CCS will not collect all of the principal and interest contractually required by the terms of the note receivable. The allowance for unrealized losses was \$2,013,000 as of June 30, 2020. The provision relates to the secured notes from CHS for Dorothy Day House, Highland and Tucker Apartments, and La Casa del Padre Miguel. When a note is impaired, interest continues to accrue until management determines the note is uncollectable. Management considers the credit quality of all impaired notes to be doubtful. Management considers all unimpaired notes receivable to have an acceptable credit quality at June 30, 2020.

**CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 7 LEASE RECEIVABLE

The Western Washington division of CCS leases the land on which the Josephinum Apartments are located to CHS under a 40-year ground lease effective December 29, 1989. The lease has a 10-year renewal option. Rent is payable by CHS to the extent of 10% of its surplus cash on December 31 of each year. Unpaid rents accrue interest at 8.09%. Accrued rents are due in full not later than the 10th anniversary of the date it was accrued. The lease provides that at termination, the title to the improvements on the land will transfer to Western Washington. The annual rent is \$15,000. At June 30, 2020, accrued rent of \$457,582 and accrued interest receivable of \$780,971 totaled \$1,238,553.

NOTE 8 NOTES PAYABLE

The following notes and loans payable are nonrecourse and collateralized by the property owned by the identified entity. Notes payable at June 30, 2020 were as follows:

Installment Notes Payable

Bellingham Office

The Bank of America loaned \$932,000 to the Northwest Division of CCS. The loan, dated March 29, 2010 and amended March 25, 2015, requires monthly fixed principal payments of \$3,883 plus interest at 3.98% until maturity at April 1, 2022. The loan is collateralized by land and a building with a carrying value of \$419,400 and \$571,627, respectively. \$ 458,234

Condominium at Washington Grocery Building

CCF loaned \$2,100,000 to the Northwest Division of CCS dated May 31, 2018. The loan bears interest at 5% and requires monthly fixed principal and interest payments of \$12,276 through May 2043. The loan is collateralized by a deed of trust and assignments of rents. 2,007,288

Vancouver Office Building

CCF loaned \$640,000 to the Southwest Division of CCS dated January 15, 2018. The loan bears interest at 5% and requires monthly fixed principal payments and interest payments of \$3,741 through January 2043. The loan is collateralized by land and a building with a carrying value of \$226,606 and \$593,227, respectively. 609,589

Total installment notes payable 3,075,111

**CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 8 NOTES PAYABLE (CONTINUED)

Forgivable Notes and Loans

The following notes and loans are noninterest bearing and will be forgiven on the maturity date if compliance with the conditions of the respective loan agreement has been maintained:

Katherine House

The state of Washington loaned \$285,000 to the King County Division of CCS for the construction of the property. The loan, dated January 1, 2001, matures on December 31, 2051.

\$ 285,000

The Department of Housing and Community Development loaned \$334,215 to the King County Division of CCS for the construction of the property. The loan, dated October 27, 2000, matures on June 1, 2036.

334,215

The loans are collateralized by land and building with a carrying value of \$73,464 and \$312,326, respectively.

Benedict House

The state of Washington, Department of Commerce loaned \$835,000 to the Southwest Division of CCS for the construction of the property. The loan, dated February 16, 2005, matures on December 31, 2045. The loan is collateralized by land and building with a carrying value of \$45,000 and \$985,487, respectively.

835,000

Drexel House

The state of Washington, Department of Commerce loaned \$530,000 to the Southwest Division of CCS for the construction of the property. The loan, dated April 20, 2006, matures on December 31, 2046. The loan is collateralized by land and building with a carrying value of \$351,350 and \$1,330,316, respectively.

530,000

Tacoma G Street

The Pierce County Department of Community Services loaned \$202,000 to the Southwest Division of CCS for the construction of the property. The loan, dated December 12, 2008, matures on December 31, 2038. The loan is collateralized by the land and building of Tacoma G Street Family Housing LLC with a carrying value of \$633,179 and \$7,594,983, respectively.

202,000

**CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 8 NOTES PAYABLE (CONTINUED)

Forgivable Notes and Loans (Continued)

Rita House

King County Department of Community and Human Services loaned \$100,000 to the King County Division of CCS for the rehabilitation of the property. The loan dated December 31, 2008, matures on December 31, 2028. The loan is collateralized by land and building with a carrying value of \$58,371 and \$22,459, respectively. \$ 100,000

Bridges Village

On February 27, 2014, the Southwest Division of CCS assumed responsibility for a loan from the Washington State Department of Commerce. The loan, dated October 23, 2007, matures on February 29, 2048. 185,101

Pierce County Department of Community Connections loaned the Southwest Division of CCS \$393,196. The loan matures on February 1, 2044. 393,196

On March 26, 2014, Pierce County Department of Community Connections loaned \$73,662 to the Southwest Division of CCS. The loan matures on November 6, 2043. 73,662

On March 26, 2014, Pierce County Department of Community Connections loaned \$18,416 to the Southwest Division of CCS. The loan matures on October 27, 2043. 18,416

Tacoma Community Redevelopment Authority loaned the Southwest Division of CCS funds beginning March 18, 2014. The loan matures on March 18, 2034. 411,535

The loans are collateralized by land and building with a carrying value of \$226,607 and \$593,227, respectively.

Filbert Road

Snohomish County loaned the Northwest Division of CCS funds beginning July 22, 2015. The loan matures on June 30, 2057. 2,568,915

Washington State Department of Commerce loaned the Northwest Division of CCS funds beginning June 18, 2015. The loan matures on August 31, 2057. 1,500,000

The loans are collateralized by land and building with a carrying value of \$286,333 and \$4,041,116, respectively.

**CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 8 NOTES PAYABLE (CONTINUED)

Forgivable Notes and Loans (Continued)

Nativity House

Washington State Department of Commerce loaned the Southwest Division of CCS funds beginning March 18, 2014. The loan matures on November 30, 2054. \$ 2,500,000

Pierce County Department of Community Connections loaned the Southwest Division of CCS \$606,612 for the development of the New Nativity House shelter. The loan matures December 13, 2043. 606,612

Tacoma Community Redevelopment Authority loaned the Southwest Division of CCS \$789,900 for the acquisition and development of the New Nativity House shelter. The loan, dated April 29, 2013, matures on April 29, 2053. 789,900

These loans are collateralized by land and a building with a carrying value of \$244,609 and \$5,749,607, respectively.

Devoe II Housing

Thurston County has agreed to provide funding of \$200,000 to the Southwest Division of CCS for the construction of this property. The loan matures May 31, 2037. The loan is collateralized by construction in progress with a carrying value of \$2,597,959. 200,000

Kirkland Family Center

A Regional Coalition for Housing has agreed to provide funding of \$1,504,406 to the King County Division of CCS for the construction of this property. The loan matures January 2071 and is noninterest bearing. 1,504,406

The Washington Department of Commerce has agreed to provide funding of \$2,350,000 to the King County Division of CCS for the construction of this property. The loan matures June 2070 and is noninterest bearing. 2,350,000

King County Department of Community and Human services has agreed to provide funding of \$3,270,132 to the King County Division of CCS for the construction of this property. The loan matures March 2070 and is noninterest bearing. 1,693,629

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8 NOTES PAYABLE (CONTINUED)

Forgivable Notes and Loans (Continued)

King County has agreed to provide funding of \$3,270,132 to the King County Division of CCS for the construction of this property. The loan matures May 31, 2070 and is noninterest bearing.

\$ 770,132

These loans are collateralized by a building with a carrying value of \$7,637,631.

Total forgivable notes and loans 17,851,719

Deferred Payment Loans

Drexel

The City of Olympia loaned \$350,000 to the Southwest Division of CCS for the acquisition of land. The loan, dated July 30, 2004, is noninterest bearing and is due on sale or a change in use of the property. The loan is collateralized by the land and building with a carrying value of \$351,350 and \$1,377,754, respectively.

350,000

Total deferred payment loans 350,000

Total notes payable 21,276,830

Less: Current portion 109,390

Long-term portion \$ 21,167,440

Summary of Notes Payable

Principal payments on notes payable for the next five years and thereafter are as follows:

<u>Year Ending June 30,</u>	<u>Payable</u>	<u>Deferred/ Forgivable</u>	<u>Total</u>
2021	\$ 109,390	\$ -	\$ 109,390
2022	477,638	-	477,638
2023	69,380	-	69,380
2024	73,021	-	73,021
2025	18,101	-	18,101
Thereafter	2,327,581	18,201,719	20,529,300
Total	<u>\$ 3,075,111</u>	<u>\$ 18,201,719</u>	<u>\$ 21,276,830</u>

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 9 DEFERRED LEASE REVENUE

CCS has leased land to Monica’s Village Place I Housing, LLC. The lease is accounted for as an operating lease. The initial lease term is through December 31, 2085, with an option to extend the term for 25 years to December 31, 2110. The rent for the first 61 years and nine months was prepaid and is presented in the financial statements as deferred revenue. The annual rent revenue was \$20,389 with current and long-term deferred lease revenue of \$20,389 and \$1,026,536, respectively, at June 30, 2020.

CCS has leased land to Cornwall Housing LLC (Cornwall). The lease is accounted for as a direct-financing capital lease. Cornwall has prepaid the entire lease. CCS has recorded deferred lease revenue equal to the present value of future minimum lease payments. The annual rent revenue was \$3,957 with current and long-term deferred lease revenue of \$3,957 and \$274,909, respectively, at June 30, 2020.

NOTE 10 LINES OF CREDIT

CCS has a \$4,500,000 line of credit agreement with a bank. The credit line is available until April 1, 2021. The interest rate varies with the LIBOR daily floating rate plus 2.6%. The line of credit is shared by all divisions of CCS. Receivables and bank accounts are pledged as collateral. The agreement requires financial reporting and maintenance of unrestricted unencumbered liquid assets of at least \$5,000,000. At June 30, 2020, CCS was in compliance with its debt covenants. There was no outstanding balance at June 30, 2020.

CCS has a \$1,000,000 line of credit agreement with CCF. The line of credit is available until July 2023. Interest accrues at 5% beginning on the day funds are advanced. The outstanding balance at June 30, 2020 was \$977,136. This line of credit is subordinate to the line of credit with the bank described above.

NOTE 11 NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restrictions at June 30, 2020 consisted of the following:

Purpose restricted:	
Program services	\$ 8,960,927
Capital projects	2,035,216
Unappropriated endowment earnings	124,916
Other	60,000
Total	<u>11,181,059</u>
Time and purpose restricted:	
Program services	18,320
Total	<u>\$ 11,199,379</u>
Amounts held in perpetuity:	
Endowment corpus amounts	<u>\$ 197,739</u>

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 12 ENDOWMENTS

The Organization classifies as net assets with donor restrictions held in perpetuity the original value of contributions to the endowment and the original value of subsequent contributions to the endowment. Investment income earned on endowment funds held in perpetuity is classified as net assets with donor restrictions until those funds are appropriated for expenditure.

The Organization follows a set of prudent investing and spending standards for endowment funds in accordance with the Prudent Management of Institutional Funds Act.

Endowment Investment and Spending Policies

CCS has interpreted the Washington State Prudent Management of Institutional Funds Act (PMIFA), as requiring the preservation of the historical cost of the original gift of donor-restricted endowment funds absent explicit donor stipulations to the contrary and its own bylaws. As a result of this interpretation, the Organization classifies as donor-restricted net assets – perpetual in nature the original value of contributions to the permanent endowment and the original value of subsequent contributions to the endowment. Investment income earned on the amounts held in perpetuity is classified as donor-restricted until those funds are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by PMIFA.

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 preserve the principle value of the endowment assets over the long-term. The Organization’s spending and investment policies work together to achieve its long-term return objectives within prudent risk parameters. The Organization invests in cash and cash equivalents.

The following describes the net asset composition of the endowment funds at June 30, 2020:

	<u>Donor-Restricted</u>		<u>Total</u>
	<u>Purpose Restricted</u>	<u>Restricted in Perpetuity</u>	
Program services	\$ 124,916	\$ 141,739	\$ 266,655
General endowment	-	56,000	56,000
Total	<u>\$ 124,916</u>	<u>\$ 197,739</u>	<u>\$ 322,655</u>

Changes in endowment net assets for the year ended June 30, 2020 were as follows:

	<u>Donor-Restricted</u>		<u>Total</u>
	<u>Purpose Restricted</u>	<u>Restricted in Perpetuity</u>	
Beginning of fiscal year	\$ 112,141	\$ 197,739	\$ 309,880
Investment income	12,775	-	12,775
End of fiscal year	<u>\$ 124,916</u>	<u>\$ 197,739</u>	<u>\$ 322,655</u>

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 13 CONTRIBUTIONS IN-KIND

Contribution revenue includes the following in-kind contributions received by CCS:

Food for feeding programs	\$ 1,714,317
Use of facilities	<u>1,077,835</u>
Total	<u><u>\$ 2,792,152</u></u>

NOTE 14 PENSION PLAN

CCS adopted a money purchase pension plan effective July 1, 1991. All divisions participate. All employees, except hourly home care and case aide employees, who have completed one year of service and 1,000 hours are eligible. Contributions to the plan are 6% of employee compensation. Vesting begins upon completing two years of eligible service and vests 20% per year. Forfeited contributions are used to cover administrative expenses of the plan and then to offset employer contributions. Pension expense for 2020 was \$3,115,516.

Transactions of the retirement plan are not included in the financial statements. Contributions are made directly to a custodian that maintains the retirement plan invested funds.

NOTE 15 LEASED AND RENTED FACILITIES AND EQUIPMENT

Some buildings and equipment used by CCS for its offices and community services programs are leased under operating leases. Under some of the operating leases, CCS pays a portion of property taxes, insurance, maintenance, and expenses related to the leased property. Total rent expense for leased facilities and equipment and those rented on a month-to-month basis was \$3,226,693.

Minimum future obligations on noncancellable operating leases in effect at June 30, 2020 are:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 2,234,909
2022	1,100,205
2023	513,648
2024	176,688
2025	29,010
Thereafter	-
Total	<u><u>\$ 4,054,460</u></u>

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 16 INSURANCE

CCS is part of the Corporation of the Catholic Archbishop of Seattle's (CCAS) insurance program for property, liability, and workers' compensation. CCAS administers the insurance program for its administrative offices, parishes, schools, CCS, CHS, and other archdiocesan organizations. CCS and CHS have their own self-insurance deductibles in addition to the CCAS self-insurance deductibles. CCAS is self-insured for specific amounts and collects premiums from CCS to cover self-insured claims costs that exceed the self-insured limits. In addition, CCS and CHS purchase coverage for losses in excess of the self-insured limits and additional insurance policies not available through the CCAS insurance program.

NOTE 17 CONCENTRATIONS, CONTINGENCIES, AND COMMITMENTS

63% of the employees are covered under the following collective bargaining agreements:

- The Long-Term Care System's home care workers, expires June 30, 2021, and
- Nonmanagement employees at Northwest, expiring June 30, 2021

CCS receives funds under numerous contracts, grants and agreements with federal, state, and local governmental agencies. CCS may be subject to repayment of funds received under contracts, grants, and agreements with governmental agencies that provide for payments to CCS based on cost or statistical data. Most contracts, grants, and agreements are subject to audit by the funding sources. In addition, those sources are subject to the approval of appropriations to fund programs.

CCS may be subject to legal proceedings and claims which arise in the normal course of business. In the opinion of management, the ultimate outcome of the claims and litigation, if any, will not have a material effect on the financial position.

CCS, as the managing member of Devoe Housing LLC (Devoe), Tacoma G Street Family Housing LLC (G Street), Monica's Village I, LLC (Monica's Village), Nativity House LLC (Nativity House), and Devoe II Housing LLC (Devoe II) has agreed to advance funds for operating deficits. CCS' obligation to advance funds is unlimited for Devoe. CCS' obligation to advance funds for operating deficits to G Street, Monica's Village, Nativity House and Devoe II is initially unlimited, then limited to \$150,000, \$300,000, \$369,000, and \$257,967, respectively, and finally terminated based on achievement of operating milestones as defined in the respective operating agreements. Operating deficit loans are repayable, without interest, subject to available cash flow in the priority established in the operating agreements. No advances have been required under the agreements through June 30, 2020.

CCS also guarantees a line of credit of up to \$800,000 that CHS has with a bank. The line of credit had no outstanding balance at June 30, 2020.

Funding for the purchase and development of some land and buildings was provided under grants and contracts that include restrictive covenants. Sale, transfer, or change in use may result in repayment of some or all of the restricted funding or reversion of the property to the funding source depending on the contract.

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 18 RISKS AND UNCERTAINTIES

During fiscal 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its fiscal 2021 operations and financial results, including costs for supplies related to personal protective equipment. In fiscal years 2020 and 2021, CCS deferred the payment of payroll taxes as permitted by the CARES Act. In addition, CCS received additional funding and incurred significantly higher costs to provide assistance to individuals facing adverse economic circumstances due in part to the economic impact of government-mandated restrictions in response to the pandemic. Management believes the Organization is taking appropriate actions to enhance mitigation practices by performing HVAC upgrades to improve air quality or providing portable HEPA air filters, providing personal protective equipment (PPE), and increasing janitorial to provide more frequent cleaning especially in shared spaces. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

NOTE 19 SUBSEQUENT EVENTS

CCS has evaluated subsequent events through March 22, 2021, which is the date the financial statements were available to be issued, and has determined that there are no subsequent events that require disclosure or recognition.

**CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal DFCA Number	Contract Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Child and Adult Care Food Program:			
Passed through State of Washington, Office of Superintendent of Public Instruction			
Child Adult Care Food Program (USDA- Childcare Centers)	10.558	None	\$ 4,757
Total Child and Adult Care Food Program			<u>4,757</u>
Emergency Food Assistance Program:			
Passed through Food Lifeline Emergency Food Assistance Program	10.569	None	66,389
Total Emergency Food Assistance Program			<u>66,389</u>
Total U.S. Department of Agriculture			<u>71,146</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Community Development Block Grants/Entitlement Grants:			
Passed through Tacoma Community Redevelopment Authority			
Nativity House - Note D	14.218	None	789,900
Passed through Solid Ground of Washington			
King County Housing Stability Project	14.218	None	1,838
Passed through King County			
KC DCHS/CEA East Diversion	14.218	5859140 Exh VI, VII, IX	56,836
Katherine House - Note D	14.218	None	106,435
Kirkland Shelter	14.218	None	770,132
Passed through City of Kent			
Katherine House	14.218	BG1909-2009	6,500
Katherine House	14.218	BG1909-2009	6,500
Passed through Sno Co Office of Housing, Homelessness & Co Devlp.			
CDBG/Pregnant & Parenting Housing	14.218	HCS-17-24-1701-007	39,409
Passed through City of Marysville			
Volunteer Chore Services - CDBG	14.218	CFDA 14.218 CDBG	7,051
Passed through City of Everett Dept of Planning & Community Development			
Volunteer Transportation	14.218	CFDA 14.218 CDBG	3,731
Passed through Thurston County - Public Health and Social Services			
Community Development Block Grant	14.218	1920-CDBG-BGPS-CCS-KITCHEN	34,545
Passed through City of Tacoma			
Homeless Adult Services: Emergency Services	14.218	None	39,582
Passed through City of Federal Way			
Expanded Day Center	14.218	2020 CDBG-CV	14,317
Passed through Kirkland			
New Beth COVID	14.218	None	42,979
Total Community Development Block Grants/Entitlement Grants			<u>1,919,755</u>
Emergency Solutions Grant Program:			
Passed through City of Tacoma - Emergency Shelter Grant			
City of Tacoma - Emergency Solutions Grant (ESG)	14.231	None	40,000
Passed through Pierce County Human Services			
Homeless and Housing Assistance Program (HHP)-Single Adult Shelter	14.231	SC-106712-3	259,080
Homeless and Housing Assistance Program (HHP)-Family Shelter	14.231	SC-106712-3	599
Homeless and Housing Assistance Program (HHP)-RRH ESG	14.231	SC-106712-3	43,637
Coordinated Entry	14.231	SC-106892	204,667

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal DFCA Number	Contract Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (CONTINUED)			
Emergency Solutions Grant Program (Continued):			
Passed through Sno Co Office of Housing, Homelessness & Co Devlp.			
EFH/ESG Commerce (Partial Fed Funding)	14.231	HCS-19-32-1901-007(1)	\$ 75,991
ESG HUD Rapid Rehousing	14.231	HCS-19-31-1901-007	104,090
ESG HUD Rapid Rehousing	14.231	HCS-18-31-1801-007 (2)	51,830
Passed through King County			
South County Shelter Systems	14.231	6065165 Exh VII	86,297
South County Shelter Systems	14.231	6065165 Exh VII	108,420
Passed through King County - DCHS			
KC DCHS Rapid Re-Housing Single Adults	14.231	6065165 Exh VI	81,649
KC DCHS Rapid Re-Housing Single Adults	14.231	6065165 Exh VI	81,649
Total Emergency Solutions Grant Program			<u>1,137,909</u>
HOME Investment Partnerships Program:			
Passed through State of Washington - Department of Commerce			
Devoe Housing Continuum - Note D	14.239	None	530,000
Passed through Thurston County			
Devoe II Housing - Note D	14.239	None	200,000
Total Home Investment Partnership Program			<u>730,000</u>
Housing Opportunities for Persons with AIDS Program:			
Passed through City of Seattle			
HIV/AIDS Housing Assistance Program	14.241	DA20-1056	136,909
HIV/AIDS Housing Assistance Program	14.241	DA19-1056 (1)	241,204
Total Housing Opportunities for Persons with AIDS Program			<u>378,113</u>
Continuum of Care Program:			
Direct Funding			
WA-500 - Ren - Aloha Inn	14.267	WA0003LOT001409	13,539
Drexel - Continuum of Care	14.267	WA0203LOT011810	116,238
Drexel - Continuum of Care	14.267	WA0203LOT011911	15,159
Total Direct Funding			<u>144,936</u>
Indirect Funding			
Passed through King County			
St. Martin de Porres Enhanced Shelter	14.267	5723820	99,169
KC DCHS/CEA Seattle RAP	14.267	5859140 Exh II	375,726
KC DCHS/CEA Seattle RAP	14.267	None	1,677
Passed through Catholic Housing Services			
ROL	14.267	None	107,317
Noel	14.267	None	109,950
Dorothy Day	14.267	None	25,625
Westlake	14.267	None	176,536
Ozanam	14.267	None	175,862
Patrick Place	14.267	None	60,963
Passed through Plymouth Housing Services			
Coming Home	14.267	None	103,600
Passed through Pierce County Community Connections			
Manresa Apartments-Transitional Housing Project	14.267	SC-106926	29,345
Nativity House - Continuum of Care	14.267	SC-106116	78,879
Nativity House - Continuum of Care	14.267	SC-106927	96,464
Rapid Rehousing - Continuum of Care	14.267	SC-106928	17,571
Passed through Sno Co Office of Housing, Homelessness & Co Devlp.			
Home Connection	14.267	HCS-19-50-1825-007 (1)	500,706
Permanent Housing for Veterans	14.267	HCS-19-50-1833-007 (1)	95,277
Homeless Families Home At Last	14.267	HCS-19-50-1851-007 (1)	208,816
Meadowdale	14.267	HCS-19-50-1811-007 (1)	167,269
Clare's Place	14.267	HCS-19-50-1800-007(1)	384,273
Journey Home	14.267	HCS-19-50-1871-007 (1)	285,003
The Road Home	14.267	HCS-19-50-1892-007 (1)	243,137
Total Indirect Funding			<u>3,343,165</u>
Total Continuum of Care Program			3,488,101

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal DFCA Number	Contract Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (CONTINUED)			
Youth Homelessness Demonstration Program			
Passed through Sno Co Office of Housing, Homelessness & Co Devlp. Snohomish Young Adult Housing	14.276	HCS-19-51-1831-007	\$ 10,125
Total Youth Homelessness Demonstration Program			<u>10,125</u>
Public and Indian Housing:			
Passed through Seattle Housing Authority Youth Tutoring Program	14.850	4646	368,369
Total Public and Indian Housing			<u>368,369</u>
Moving to Work Demonstration Program:			
Passed through Pierce County Community Connections Homeless and Housing Assistance Program (HHAP) - Rapid Rehousing THA	14.881	SC-106712-3	273,608
Total Moving to Work Demonstration Program			<u>273,608</u>
Choice Neighborhoods Implementation Grants:			
Passed through Seattle University Youth Tutoring Program - Yesler Terrace	14.889	34-230533 SA-01	18,268
Total Choice Neighborhoods Implementation Grants			<u>18,268</u>
Total U.S. Department of Housing and Urban Development			8,324,248
U.S. DEPARTMENT OF STATE			
Refugee Admissions Program			
Passed through US Conference of Catholic Bishops Refugee Family Enrichment Program	19.510	None	48,712
Total U.S. Refugee Admissions Program			<u>48,712</u>
Total U.S. Department of State			48,712
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Transit Services Programs Cluster</i>			
Passed through Washington State Department of Transportation			
Consolidated Public Transportation Grant	20.513	PTD0014	19,491
Disabled Veteran's Transportation	20.513	PTD0015	49,611
Thurston County Bus Buddies	20.513	PTD0075	40,877
Volunteer Transportation Services Program	20.513	PTD0016	141,893
Passed through Clark County Public Transportation			
Benefit Area (dba-C-TRAN) for Volunteer Driver Program	20.513	2015-TSB-02	5,647
Benefit Area (dba-C-TRAN) for Volunteer Driver Program	20.513	None	30,142
Total Enhanced Mobility of Seniors and Individuals with Disabilities			<u>287,661</u>
Total U.S. Department of Transportation			287,661

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal DFCA Number	Contract Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF THE TREASURY			
Coronavirus Relief Fund:			
Passed through City of Issaquah			
Cares Act Human Services	21.019	None	\$ 6,605
Passed through City of Kirkland			
Cares Act Human Services	21.019	None	25,000
Passed through Pierce County Human Services			
Extended Hotel Sheltering, Increased Safety for Clients, and moving clients	21.019	SC-107586	57,740
Passed through King County			
DCHS Homeless Housing Program	21.019	6182563 Exh VIII	81,659
DCHS Homeless Housing Program	21.019	6182563 Exh IX	21,124
DCHS Homeless Housing Program	21.019	6182563 Exh XI	22,500
Burien Shelter	21.019	6182563 Exh X	34,398
Total Coronavirus Relief Fund Program			<u>249,026</u>
Total U.S. Department of the Treasury			249,026
U.S. DEPARTMENT OF VETERANS AFFAIRS			
VA Homeless Providers Grant and Per Diem Program:			
Passed through Catholic Housing Services			
Department of Veteran Affairs	64.024	None	270,298
Direct Funding			
Department of Veteran Affairs	64.024	None	45,375
Total VA Homeless Providers Grant and Per Diem Program			<u>315,673</u>
VA Supportive Services for Veteran Families Program:			
Direct Funding			
Department of Veteran Affairs	64.033	None	370,898
Department of Veteran Affairs	64.033	None	19,477
Supportive Services for Veteran Families (SSVF)	64.033	19-WA-146	636,087
Supportive Services for Veteran Families (SSVF)	64.033	20-WA-146	1,344,029
Supportive Services for Veteran Families (SSVF) - Cares Act	64.033	20-WA-146-CA	1,473,620
Total VA Supportive Services for Veteran Families Program			<u>3,844,111</u>
Total U.S. Department of Veterans Affairs			4,159,784
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services:			
Passed through Pierce County Human Services			
Senior Nutrition - Congregate	93.043	SC-105047-6; SC-107104	50,000
Total Special Programs for the Aging - Title III, Part D- Disease Prevention and Health Promotion Services			<u>50,000</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal DFCA Number	Contract Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONTINUED)			
<i>Aging Cluster</i>			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers:			
Passed through Lewis-Mason-Thurston Area Agency on Aging			
Senior Nutrition Program-Home Delivered Nutrition	93.044	18-1140-0064-01 (1)	\$ 25,526
Passed through City of Seattle			
African American Elders Program	93.044	DA18-1387	40,883
African American Elders Program	93.044	DA20-1387	62,804
Volunteer Transportation Program	93.044	None	57,449
Passed through Snohomish County Human Services			
Volunteer Transportation Program	93.044	A-19-50-04-007	21,721
Volunteer Transportation Program	93.044	A-20-50-04-007	13,235
Passed through Pierce County Human Services			
Senior Nutrition - Congregate	93.044	SC-105047-6; SC-107104	45,834
Passed through Area Agency on Aging and Disabilities of Southwest Washington (AAADSW)			
Senior Transportation Services	93.044	None	2,832
COVID-19 Response Senior Transportation Services	93.044	None	58
Passed through Senior Services for South Sound			
LMT Volunteer Transportation	93.044	18-1120-0041-08 (01)	1,891
Passed through Olympic Area Agency on Aging			
Clallam & Pacific Volunteer Chore Service	93.044	555-41-26-19	17,114
Clallam & Pacific Volunteer Chore Service	93.044	555-41-26-20	15,065
Total Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers			304,412
Special Programs for the Aging - Title III, Part C - Nutrition Services:			
Passed through City of Seattle			
Senior Congregate Nutrition Services	93.045	DA19-1700	233,610
Senior Congregate Nutrition Services	93.045	DA20-1700	233,472
Passed through Lewis-Mason-Thurston Area Agency on Aging			
Senior Nutrition Program - Home Delivered Nutrition	93.045	18-1140-0064-01 (2)	41,467
Senior Nutrition Program - Home Delivered Nutrition	93.045	18-1140-0064-01 (4)	49,572
Passed through Pierce County Community Connections			
Senior Nutrition Program - Congregate	93.045	SC-105047-6; SC-107104	499,308
Senior Nutrition Program - Home Delivered Meals	93.045	SC-105047-6; SC-107104	262,090
Total Special Programs for the Aging - Title III, Part C - Nutritional Services			1,319,519
Nutrition Services Incentive Program:			
Passed through City of Seattle			
Senior Congregate Nutrition Services	93.053	DA19-1700	10,964
Senior Congregate Nutrition Services	93.053	DA20-1700	14,200
Passed through Pierce County Human Services			
Senior Nutrition Program - Congregate NSIP	93.053	SC-105047-6; SC-107104	40,451
Senior Nutrition Program - Home Delivered Meals NSIP	93.053	SC-105047-6; SC-107104	77,574
Passed through Lewis-Mason-Thurston Area Agency on Aging			
Senior Nutrition Program-NSIP Home Delivered	93.053	18-1140-0064-01 (1)	6,701
Senior Nutrition Program-NSIP Home Delivered	93.053	18-1140-0064-01 (2)	8,014
Total Nutrition Services Incentive Program			157,904
Total Aging Cluster			1,781,835

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal DFCA Number	Contract Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONTINUED)			
National Family Caregiver Support, Title III, Part E			
Passed through City of Seattle			
African American Elders Program	93.052	DA18-1387	\$ 12,984
African American Elders Program	93.052	DA20-1387	7,669
Passed through Pierce County Human Services			
Senior Nutrition Program - Congregate	93.052	SC-105047-6; SC-107104	159,948
Total National Family Caregiver Support, Title III, Part E			<u>180,601</u>
Substance Abuse and Mental Health Services - Projects of Regional and National Significance:			
Passed through King County			
Access to Recovery	93.243	4241 CHS	187,132
Access to Recovery	93.243	4241 CHS	292,235
Total Substance and Mental Health Services - Projects of Regional and National Significance			<u>479,367</u>
Grants for New and Expanded Services under the Health Center Program			
Passed through King County			
Department of Health and Human Services	93.527	5135CHS	145,967
Total Grants for New and Expanded Services under Health Center Program			<u>145,967</u>
Unaccompanied Alien Children Program:			
Passed through US Conference of Catholic Bishops			
Alien Unaccompanied Minors (Long Term FC)	93.676	90ZU0163	546,581
Home Suitability Assessment (Safe Passages)	93.676	None	4,350
Total Unaccompanied Alien Children Program			<u>550,931</u>
Medical Assistance Program:			
Passed through City of Seattle:			
African American Elders Program	93.778	DA20-1387	22,302
Total Medical Assistance Program			<u>22,302</u>
Opioid STR Program:			
Passed through Skagit County:			
State Option Response	93.788	C20180728	101,477
State Option Response	93.788	C20190442	181,088
Total Opioid STR Program			<u>282,565</u>
HIV Emergency Relief Project Grants:			
Passed through City of Seattle			
HIV/AIDS Housing Assistance Program - Ryan White Part A	93.914	5204 PREV	42,462
HIV/AIDS Housing Assistance Program - Ryan White Part A	93.914	4184 PREV (1)	81,078
Total HIV Emergency Relief Project Grants			<u>123,540</u>
Block Grants for Community Mental Health Services:			
Passed through Multnomah County			
Emergency Development Diversion Crisis and Acute Transition Services	93.958	HD-SVCSGEN-549-2018-COV	161,904
Total Block Grants for Community Mental Health Services			<u>161,904</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal DFCA Number	Contract Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONTINUED)			
Block Grants for Prevention and Treatment of Substance Abuse:			
Passed through King County			
Matt Talbot	93.959	5893187	\$ 72,540
Passed through Skagit County			
Recovery and Community	93.959	C20190255 / A20190155	155,348
Passed through Snohomish County Office of Housing, Homelessness and Community Development			
North Sound BHO	93.959	N. SOUND BH-ASO-CCSNW-ICN-19	153,531
Total Block Grants for Prevention and Treatment of Substance Abuse			<u>381,419</u>
Total U.S. Department of Health and Human Services			<u>4,160,431</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICES			
Retired and Senior Volunteer Program:			
Passed through Corp. of National Service			
Retired Senior Volunteer Program (RSVP)	94.002	18SRPWA005	89,379
Total Retired and Senior Volunteer Program			<u>89,379</u>
Total Corporation for National and Community Services			89,379
U.S. DEPARTMENT OF HOMELAND SECURITY			
Emergency Food and Shelter National Board Program:			
Passed through United Way of Thurston County			
Emergency Food & Shelter Program	97.024	None	10,000
Passed through Associated Ministries			
Emergency Food and Shelter Program (EFSP) - Phase 36	97.024	LRO # 891400-043	65,000
Passed through United Way of Thurston County			
Emergency Food and Shelter Program (EFSP) - Phase 36	97.024	LRO # 893400-026	20,000
Passed through United Way of Grays Harbor County			
Emergency Food and Shelter Program (EFSP) - Phase 36	97.024	LRO # 888400-009	10,061
Passed through United Way of Kitsap County			
Emergency Food and Shelter Program (EFSP) - Phase 36	97.024	LRO # 889600-019	26,345
Passed through United Way of Kitsap County			
Emergency Food and Shelter Program (EFSP) - Phase 36	97.024	LRO # 889600-019	10,028
Total Emergency Food and Shelter National Board Program			<u>141,434</u>
Total U.S. Department of Homeland Security			<u>141,434</u>
Total Federal Awards			<u>\$ 17,531,821</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020**

NOTE A BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of CCS, 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of the operations of CCS, it is not intended to and does not present the financial position, changes in net assets, or cash flows of CCS.

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. Pass-through entity identifying numbers are presented where available. CCS elected to use the 10 percent de minimis indirect cost rate for federal awards made on or after December 26, 2014, and for funding increments (additional funding on existing awards) with modified terms and conditions that are awarded on or after that date for divisions other than Northwest.

NOTE C SUBRECIPIENTS

Of the federal expenditures presented in the Schedule, CCS provided none of the federal awards to subrecipients.

NOTE D LOANS AND GRANTS WITH CONTINUING COMPLIANCE REQUIREMENTS

CCS received the following funding through loans. Loan documents require compliance with program regulations until the maturity date of the loan. The loans are forgivable on their maturity dates provided that CCS remains in compliance with the loan requirements. The balance of loans outstanding at the beginning of the year and loans received during the year are included in the accompanying schedule of expenditures of federal awards.

**CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

**NOTE D LOANS AND GRANTS WITH CONTINUING COMPLIANCE REQUIREMENTS
(CONTINUED)**

The balance of loans outstanding at June 30, 2020 consists of:

	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Outstanding Loan Balance</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Community Development Block Grants/ Entitlement Grants:			
Passed through King County			
Katherine House	14.218	D26556D & F	\$ 106,435
Kirkland Shelter	14.218	None	770,132
Passed through Tacoma Community Redevelopment Authority			
New Nativity House	14.218	None	789,900
HOME Investment Partnership Program:			
Passed through State of Washington, Department of Commerce			
Drexel House	14.239	None	530,000
Passed through Thurston County, Devoe II Housing			
	14.239	None	<u>200,000</u>
Total			<u><u>\$ 2,396,467</u></u>

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
SCHEDULE OF FINANCIAL POSITION BY DIVISION
JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

ASSETS	<u>Governance</u>	<u>King County</u>	<u>Southwest</u>	<u>Long-Term Care</u>	<u>Northwest</u>	<u>Eliminations</u>	<u>Total</u>
CURRENT ASSETS							
Cash and Cash Equivalents	\$ 7,347,303	\$ 858,034	\$ 14,812,501	\$ 4,582,766	\$ 3,023,864	\$ -	\$ 30,624,468
Accounts receivable, net of allowance for doubtful accounts of \$286,210	51,588	6,865,601	12,368,442	8,346,575	2,851,756	(305,974)	30,177,988
Accounts receivable, related parties	12,713,361	1,740,287	775,593	15,381	1,216,977	(13,926,758)	2,534,841
Pledges receivable, current portion	1,025,000	-	-	-	-	-	1,025,000
Notes receivable, related parties, current portion	415,112	-	-	-	-	-	415,112
Notes receivable, current portion	43,520	-	-	-	-	-	43,520
Prepaid expenses	57,051	89,369	404,348	123,718	128,530	-	803,016
Inventory, food	-	-	19,400	-	-	-	19,400
Funds held in trust	-	23,141	-	-	-	-	23,141
Total current assets	<u>21,652,935</u>	<u>9,576,432</u>	<u>28,380,284</u>	<u>13,068,440</u>	<u>7,221,127</u>	<u>(14,232,732)</u>	<u>65,666,486</u>
PROPERTY AND EQUIPMENT							
Land	2,243,478	1,104,563	2,588,894	179,523	1,209,939	-	7,326,397
Buildings and building improvements	1,124,590	9,545,870	13,179,565	1,522,154	8,401,268	-	33,773,447
Furniture and equipment	458,566	1,096,490	1,330,040	445,707	786,391	-	4,117,194
Leasehold improvements	-	2,648,039	1,237,487	-	702,137	-	4,587,663
Construction in progress	7,245	8,189,333	645,942	-	-	-	8,842,520
Total property and equipment	<u>3,833,879</u>	<u>22,584,295</u>	<u>18,981,928</u>	<u>2,147,384</u>	<u>11,099,735</u>	<u>-</u>	<u>58,647,221</u>
Less: accumulated depreciation	<u>(582,067)</u>	<u>(7,128,162)</u>	<u>(4,567,155)</u>	<u>(881,585)</u>	<u>(2,513,418)</u>	<u>-</u>	<u>(15,672,387)</u>
Property and equipment, net	<u>3,251,812</u>	<u>15,456,133</u>	<u>14,414,773</u>	<u>1,265,799</u>	<u>8,586,317</u>	<u>-</u>	<u>42,974,834</u>
OTHER ASSETS							
Pledges receivable, net of current portion	-	-	50,517	-	-	-	50,517
Notes receivable, related parties, net	304,949	-	1,938,489	-	-	-	2,243,438
Lease receivable	1,238,553	-	-	-	-	-	1,238,553
Prepaid ground lease	-	588,000	-	-	-	-	588,000
Cash, maintenance reserve account	-	194,271	-	-	-	-	194,271
Investments	1,133,455	-	300,577	-	-	-	1,434,032
Accounts receivable, endowment funds	-	241,880	-	-	-	-	241,880
Total other assets	<u>2,676,957</u>	<u>1,024,151</u>	<u>2,289,583</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,990,691</u>
Total assets	<u>\$ 27,581,704</u>	<u>\$ 26,056,716</u>	<u>\$ 45,084,640</u>	<u>\$ 14,334,239</u>	<u>\$ 15,807,444</u>	<u>\$ (14,232,732)</u>	<u>\$ 114,632,011</u>

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
SCHEDULE OF FINANCIAL POSITION BY DIVISION (CONTINUED)
JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

LIABILITIES AND NET ASSETS	<u>Governance</u>	<u>King County</u>	<u>Southwest</u>	<u>Long-Term Care</u>	<u>Northwest</u>	<u>Eliminations</u>	<u>Total</u>
CURRENT LIABILITIES							
Accounts payable	\$ 528,354	\$ 3,094,285	\$ 946,807	\$ 156,308	\$ 712,251	\$ (81,109)	\$ 5,356,896
Accounts payable, related parties	-	5,182,564	5,037,283	5,393,733	34,266	(14,150,760)	1,497,086
Accrued payroll and related expenses	917,107	1,810,977	3,358,055	5,672,226	1,003,608	(863)	12,761,110
Notes payable, installment, current portion, including related party payable of \$62,790	-	-	14,747	-	94,643	-	109,390
Refundable deposits	-	-	-	420,146	-	-	420,146
Accrued liabilities	55,065	5,205	302,717	59,752	1,674	-	424,413
Deferred revenue	34,346	675,643	1,888,367	5,055	484,567	-	3,087,978
Funds held in trust	-	23,944	12,289	-	-	-	36,233
Total current liabilities	<u>1,534,872</u>	<u>10,792,618</u>	<u>11,560,265</u>	<u>11,707,220</u>	<u>2,331,009</u>	<u>(14,232,732)</u>	<u>23,693,252</u>
LONG-TERM LIABILITIES							
Notes payable, installment, net of current portion, including related party payable of \$2,554,087	-	-	594,842	-	2,370,879	-	2,965,721
Notes payable, forgivable	-	7,037,382	6,745,422	-	4,068,915	-	17,851,719
Notes payable, deferred	-	-	350,000	-	-	-	350,000
Line of credit, related party	-	860,000	117,136	-	-	-	977,136
Deferred lease revenue, long-term	1,301,445	-	-	-	-	-	1,301,445
Total long-term liabilities	<u>1,301,445</u>	<u>7,897,382</u>	<u>7,807,400</u>	<u>-</u>	<u>6,439,794</u>	<u>-</u>	<u>23,446,021</u>
Total liabilities	2,836,317	18,690,000	19,367,665	11,707,220	8,770,803	(14,232,732)	47,139,273
NET ASSETS							
Without donor restrictions	22,405,778	4,230,231	20,519,923	2,541,924	6,397,764	-	56,095,620
With donor restrictions:							
Perpetual in nature	56,000	129,739	-	-	12,000	-	197,739
With time and/or purpose restrictions	2,283,609	3,006,746	5,197,052	85,095	626,877	-	11,199,379
Total with donor restrictions	<u>2,339,609</u>	<u>3,136,485</u>	<u>5,197,052</u>	<u>85,095</u>	<u>638,877</u>	<u>-</u>	<u>11,397,118</u>
Total net assets	<u>24,745,387</u>	<u>7,366,716</u>	<u>25,716,975</u>	<u>2,627,019</u>	<u>7,036,641</u>	<u>-</u>	<u>67,492,738</u>
Total liabilities and net assets	<u>\$ 27,581,704</u>	<u>\$ 26,056,716</u>	<u>\$ 45,084,640</u>	<u>\$ 14,334,239</u>	<u>\$ 15,807,444</u>	<u>\$ (14,232,732)</u>	<u>\$ 114,632,011</u>

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
SCHEDULE OF ACTIVITIES BY DIVISION
YEAR ENDED JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

	Governance	King County	Southwest	Long-Term Care	Northwest	Eliminations	Total
SUPPORT AND REVENUE							
Fees and grants from governmental agencies	\$ -	\$ 33,703,004	\$ 68,121,275	\$ 58,990,931	\$ 20,197,919	\$ (755,430)	\$ 180,257,699
Contributions - received directly	3,992,195	6,266,765	2,247,869	336,690	985,530	(850,274)	12,978,775
Contributions - received indirectly	995	-	-	-	-	-	995
Contributions - United Way allocations	-	359,750	69,278	-	-	-	429,028
Contributions - United Way donor-designated	-	78,026	39,723	-	282	-	118,031
Contributions - associated organizations	1,001,004	1,686,996	292,339	-	503,104	(2,183,273)	1,300,170
Contributions - in-kind	-	1,472,620	1,319,532	-	-	-	2,792,152
Legacies and bequests	425,045	57,055	131,882	-	-	-	613,982
Special events	-	-	-	-	-	-	-
Fees and other income:							
Private program service fees	-	1,849,470	1,020,765	6,264,190	576,086	-	9,710,511
Training fees	-	-	-	3,105,989	-	-	3,105,989
Investment income	290,285	-	293,078	-	-	-	583,363
Management fees	6,141,150	-	191,263	-	-	(5,932,542)	399,871
Rental income and fees	38,389	2,001,606	121,767	-	-	(1,780,559)	381,203
Miscellaneous revenue	-	149,343	4,035	14,428	3,094	-	170,900
Total support and revenue	11,889,063	47,624,635	73,852,806	68,712,228	22,266,015	(11,502,078)	212,842,669

CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
SCHEDULE OF ACTIVITIES BY DIVISION (CONTINUED)
YEAR ENDED JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

	Governance	King County	Southwest	Long-Term Care	Northwest	Eliminations	Total
EXPENSES AND LOSSES							
Salaries and related payroll expenses	\$ 4,873,603	\$ 22,733,895	\$ 54,207,968	\$ 63,007,429	\$ 13,001,586	\$ (1,765,526)	\$ 156,058,955
Contributions, grants, and specific assistance/ foster care payments	3,755,494	16,364,225	6,778,222	36,355	2,706,065	(4,518,320)	25,122,041
Professional fees and contract service payments	626,232	1,886,377	4,180,700	2,653,514	1,769,467	(5,020,452)	6,095,838
Occupancy	116,693	2,185,329	2,149,612	795,078	935,119	(158,791)	6,023,040
Supplies	133,547	677,412	1,524,862	1,246,209	168,837	(16,941)	3,733,926
In-kind expenses	-	1,472,620	1,314,572	-	-	-	2,787,192
Depreciation	48,447	544,253	471,498	81,298	394,372	-	1,539,868
Telephone	21,581	323,538	805,926	133,521	185,408	(8,245)	1,461,729
Equipment rental and maintenance	282,112	298,128	182,922	111,046	119,376	-	993,584
Taxes and insurance	579,844	168,619	23,332	106	111,769	-	883,670
Travel	4,909	108,435	269,107	150,725	201,646	(9,643)	725,179
Printing and advertisement	245,247	118,686	174,672	87,152	10,668	-	636,425
Conferences	1,266	94,414	293,205	138,162	-	(4,160)	522,887
Miscellaneous	108,437	165,172	(4,563)	620	106,548	-	376,214
Interest and bank charges	37,653	75,816	42,016	29,816	121,175	-	306,476
Dues and fees	90,473	54,390	87,813	3,039	46,559	-	282,274
Postage	20,862	42,098	36,056	63,393	8,425	-	170,834
Venue and catering	-	115,132	-	-	-	-	115,132
Bad debts	-	-	-	24,475	5,799	-	30,274
Total expenses	<u>10,946,400</u>	<u>47,428,539</u>	<u>72,537,920</u>	<u>68,561,938</u>	<u>19,892,819</u>	<u>(11,502,078)</u>	<u>207,865,538</u>
CHANGE IN NET ASSETS	942,663	196,096	1,314,886	150,290	2,373,196	-	4,977,131
Net assets - beginning of year	<u>23,802,724</u>	<u>7,170,620</u>	<u>24,402,089</u>	<u>2,476,729</u>	<u>4,663,445</u>	<u>-</u>	<u>62,515,607</u>
NET ASSETS - END OF YEAR	<u>\$ 24,745,387</u>	<u>\$ 7,366,716</u>	<u>\$ 25,716,975</u>	<u>\$ 2,627,019</u>	<u>\$ 7,036,641</u>	<u>\$ -</u>	<u>\$ 67,492,738</u>



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 Trustees
Catholic Community Services of Western Washington
Seattle, Washington

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 Catholic Community Services of Western Washington (the Organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 22, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization'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.

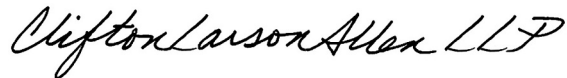
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization’s financial statements are free of 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 determination of financial statement amounts. 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 Organization’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 Organization’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Bellevue, Washington
March 22, 2021



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

Board of Trustees
Catholic Community Services of Western Washington
Seattle, Washington

Report on Compliance for Each Major Federal Program

We have audited Catholic Community Services of Western Washington's (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2020. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2020-001, that we consider to be a significant deficiency.

Catholic Community Services of Western Washington's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Catholic Community Services of Western Washington's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Board of Trustees
Catholic Community Services of Western Washington

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

CliftonLarsonAllen LLP

Bellevue, Washington
March 22, 2021

**CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? x yes _____ none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes x no

Identification of Major Federal Programs

CFDA Number(s)

64.033

Name of Federal Program or Cluster

Supportive Services for Veteran Families

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

 x yes _____ no

**CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

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

Federal Agency: U.S. Department of Veterans Affairs

Federal Program Title: VA Supportive Services for Veteran Families Program

CFDA Number: 64.033

Pass-Through Agency: None

Award Period: October 1, 2019 – September 30, 2020

Type of Finding: Significant Deficiency in Internal Control over Compliance

Finding Identification Number: 2020-001

Type of Finding: Significant deficiency in Internal Control over Compliance

Criteria: Per UG §200.309, only expenses incurred during the period of performance may be charged to the Federal Award. The grant award states expenditures must be incurred during the grant award period.

Condition: We noted that three of the twenty-four expenditures tested were incurred prior to the grant award start date and charged to the incorrect grant.

Context: Three of the expenditures totaling \$1,432 charged to the 2019-2020 grant were incurred during 2018-2019 grant period.

Cause: The Organization did not consistently review invoices to ensure they were incurred during the grant period.

Effect: The Organization overcharged the 2019-2020 grant award.

Recommendation: We recommend the Organization review its procedures that ensure grants are charged in the proper reporting period with grant personnel to ensure that the cost reimbursements only include costs that are from the correct period.

Management’s Response: Management concurs with the recommendation. Management is updating their procedures to ensure that costs are recorded and reported in the proper period.

**CATHOLIC COMMUNITY SERVICES OF WESTERN WASHINGTON
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2020**

U.S. Department of Veterans Affairs VA Supportive Services for Veteran Families Program

Catholic Community Services of Western Washington respectfully submits the following corrective action plan for the year ended June 30, 2020.

Audit period: July 1, 2019 – June 30, 2020

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS—INTERNAL CONTROL ON COMPLIANCE OVER FEDERAL AWARDS

SIGNIFICANT DEFICIENCY

2020-001 Significant Deficiency in Internal Control over Compliance

Recommendation: We recommend the Organization review its procedures that ensure grants are charges the proper reporting period with grant personnel to ensure that the cost reimbursements only include costs that are from the correct period.

There is no disagreement with the audit finding.

Action planned/taken in response to finding: Billing and accounts receivable staff will maintain a list for accounts payable staff of grant and contract periods that do not coincided with the fiscal year along with corresponding cost centers. Accounts payable staff designated to enter invoices, will also be involved in the review of the payable invoices to make sure they are coded correctly and to the correct month or year they belong according to the backup. Program managers will receive a reminder to separate Invoices by month for cutoff periods. If accounts payable staff receive a combined invoice/check request for expenditures crossing over two cutoff months, they will split into two months. Staff preparing the billing, reviews each PO/Invoice in the billing and will perform an expanded review for all contracts for the cutoff months and following month, for example for the federal fiscal year for the months September and October.

Names of the contact persons responsible for corrective action: Jean Strafford, Jose Uriarte

Planned completion date for corrective action plan: June 30, 2021

If the U.S. Department of Veterans Affairs has questions regarding this plan, please call Jean Strafford at 360-503-6888.