Catholic Charities, Diocese of Brooklyn and Related Agencies

Consolidated Financial Statements
Year Ended June 30, 2023

The report accompanying these financial statements was issued by BDO USA, P.C., a Virginia professional corporation, and the U.S. member of BDO International Limited, a UK company limited by guarantee.

Catholic Charities, Diocese of Brooklyn and Related Agencies

Consolidated Financial Statements

Year Ended June 30, 2023

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Independent Auditor's Report

The Board of Trustees
Catholic Charities, Diocese of Brooklyn
Brooklyn, New York

Opinion

We have audited the consolidated financial statements of Catholic Charities, Diocese of Brooklyn and Related Agencies (the Organization), which comprise the consolidated statement of financial position as of June 30, 2023, the related consolidated statements of activities, changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2023, 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.

Emphasis of Matter

As described in Note 2 to the consolidated financial statements, effective July 1, 2022, the Organization adopted amendments to the Financial Accounting Standards Board Accounting Standards Codification resulting from Accounting Standards Update 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

BDO USA, P.C.

December 6, 2023

Consolidated Financial Statements

Catholic Charities, Diocese of Brooklyn and Related Agencies

Consolidated Statement of Financial Position

June 30, 2023	
Assets	
Current Assets	
Cash and cash equivalents	$ 37,210,540
Cash held in escrow for construction	5,089,619
Accounts receivable, net	23,402,584
Miscellaneous current assets	169,897
Predevelopment project costs, current portion	2,476,361
Prepaid expenses	7,699,626
Investments	87,469,283
Due from affiliated agencies, net	181,567
Amounts held for others	109,277
Total Current Assets	163,808,754
Amounts Held by Others	1,270,438
Tenant Security Deposits	916,815
Restricted Deposits and Funded Reserves	56,144,412
Beneficial Interest in Charitable Trust	449,017
Intangible Assets, Net	40,078
Predevelopment Project Costs, net of current portion	2,794,453
Other Assets	362,308
Fixed Assets, Net	386,272,071
Right-of-Use Assets - Operating Lease	26,497,813
Right-of-Use Assets - Finance Lease	8,508,200
Total Assets	$ 647,064,359

Consolidated Statement of Financial Position

June 30, 2023	
Liabilities and Net Assets	
Current Liabilities	
Accounts payable and accrued expenses	$ 18,294,497
Construction advance	2,944,021
Other current liabilities	981,235
Amounts held for others	81,500
Annuities payable	398,109
Program advances	5,525,807
Program liabilities	2,402,353
Accrued interest - mortgage and notes payable, current portion	1,302,311
Loans, mortgage, and notes payable, current portion	45,221,841
Operating lease liability, current portion	4,631,903
Finance lease liability, current portion	565,872
Total Current Liabilities	82,349,449
Other Long-Term Liabilities	25,247,987
Due to Affiliated Agencies	12,032,299
Developer Fees Payable	3,702
Tenant Security Deposits	916,815
Accrued Interest - mortgage and notes payable	2,670,900
Loans, Mortgage, and Notes Payable, net of current portion	282,068,908
Operating Lease Liability, net of current portion	21,852,518
Finance Lease Liability, net of current portion	8,110,382
Total Liabilities	435,252,960
Commitments and Contingencies	
Net Assets	
Without donor restrictions	136,491,066
Non-controlling interest in limited partnerships	60,318,352
Total Net Assets Without Donor Restrictions	196,809,418
With donor restrictions	15,001,981
Total Net Assets	211,811,399
Total Liabilities and Net Assets	$ 647,064,359

See accompanying notes to consolidated financial statements.

Catholic Charities, Diocese of Brooklyn and Related Agencies

Consolidated Statement of Activities

Year ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Support:			
Contributions, grants, and bequests	$ 6,264,546	$ 4,002,933	$ 10,267,479
Contributed goods, services, and rent	6,617,342	-	6,617,342
Special events, net	2,115,848	-	2,115,848
Net assets released from restrictions	4,178,553	(4,178,553)	-
Total Support	19,176,289	(175,620)	19,000,669
Affiliate support:			
Subsidy for programs	799,047	-	799,047
Total Affiliate Support	799,047	-	799,047
Revenue:			
Service fees from governmental agencies	87,103,051	-	87,103,051
Service fees from third-party reimbursement	19,391,721	-	19,391,721
Service fees from other sources	1,765,822	-	1,765,822
Net residence service revenue	24,883,818	-	24,883,818
Rental revenue	56,194,770	-	56,194,770
Investment income	7,891,172	115,123	8,006,295
Unrealized gain (loss) on beneficial interest in charitable trust	2,278,504	(900)	2,277,604
Other revenue and gains, net	11,902,355	-	11,902,355
Total Revenue	211,411,213	114,223	211,525,436
Total Support and Revenue	231,386,549	(61,397)	231,325,152
Expenses			
Program services:			
Family Stabilization	16,216,166	-	16,216,166
Early Childhood Services	28,930,621	-	28,930,621
Senior Services	21,208,004	-	21,208,004
Housing	22,106,816	-	22,106,816
Clinic, Recovery, and Rehabilitation Services	15,250,916	-	15,250,916
Care Coordination and Case Management	4,816,591	-	4,816,591
Office of Community Programming	2,975,390	-	2,975,390
Comprehensive Human Resources	106,772	-	106,772
Contributions and grants to affiliates	8,210,848	-	8,210,848
Program expenses for low-income housing	58,106,733	-	58,106,733
Long-term care services	16,542,816	-	16,542,816
Total Program Services	194,471,673	-	194,471,673
Support services:			
General and administrative	27,855,289	-	27,855,289
Fundraising	1,871,743	-	1,871,743
Total Support Services	29,727,032	-	29,727,032
Total Expenses	224,198,705	-	224,198,705
Change in Net Assets, before allocation to non-controlling interest	7,187,844	(61,397)	7,126,447
Allocation to Non-Controlling Interest	(10,649,342)	-	(10,649,342)
Change in Net Assets Attributable to Controlling Interest	$ (3,461,498)	$ (61,397)	$ (3,522,895)

See accompanying notes to consolidated financial statements.

Catholic Charities, Diocese of Brooklyn and Related Agencies

Consolidated Statement of Changes in Net Assets

	Net Assets Without Donor Restrictions			Net Assets	
	Controlling	Non-Controlling	Total	with Donor Restrictions	Total Net Assets
Balance, June 30, 2022	$ 106,279,758	$ 62,226,658	$ 168,506,416	$ 15,063,378	$ 183,569,794
Capital contribution	-	13,963,604	13,963,604	-	13,963,604
Distributions	(522)	(5,222,568)	(5,223,090)	-	(5,223,090)
Pension-related charges other than net periodic pension costs	12,374,644	-	12,374,644	-	12,374,644
Change in net assets	17,837,186	(10,649,342)	7,187,844	(61,397)	7,126,447
Balance, June 30, 2023	$ 136,491,066	$ 60,318,352	$ 196,809,418	$ 15,001,981	$ 211,811,399

See accompanying notes to consolidated financial statements.

Catholic Charities, Diocese of Brooklyn and Related Agencies

Consolidated Statement of Cash Flows

Year ended June 30, 2023	
Cash Flows from Operating Activities	
Change in net assets	$ 7,126,447
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Pension-related charges other than net periodic pension costs	12,374,644
Depreciation and amortization	14,873,414
Interest expense related to amortization of debt issuance costs	278,910
Change in provision for doubtful accounts	1,481,185
Interest expenses accrued for long-term debt	7,360,832
Net realized and unrealized loss on investments	(5,300,732)
Unrealized loss on amounts held by others	(2,278,504)
Non-cash operating lease expense	764,607
Amortization of right-of-use asset – finance lease	463,318
Gain on sale of property	(4,750,000)
Change in assets and liabilities:	
Accounts receivable	5,011,545
Prepaid expenses	512,690
Predevelopment project costs	(1,956,491)
Due from/due to affiliated agencies	1,997,756
Accounts payable and accrued expenses	(7,670,371)
Other liabilities	830,475
Amounts held for others	(331,660)
Construction advances	120,537
Annuities payable	(15,614)
Program advances	(5,851,391)
Program liabilities	(112,175)
Amounts held by others	(102,896)
Beneficial interest in charitable trust	264,537
Deferred revenue	75,642
Developer fee payable	(1,834,998)
Other long-term liabilities	(12,930,456)
Principal reduction in operating lease liabilities	(1,385,183)
Net Cash Provided by Operating Activities	9,016,068
Cash Flows from Investing Activities	
Purchase of fixed assets	(17,762,996)
Purchase of investments	(51,760,478)
Proceeds from sale of investments	56,195,214
Proceeds from sale of property	4,800,000
Net Cash Used in Investing Activities	(8,528,260)
Cash Flows from Financing Activities	
Proceeds from long-term debt	11,117,563
Proceeds from line of credit	25,600,000
Repayments to line of credit	(28,200,000)
Principal payments on long-term debt	(19,516,362)
Repayment of finance lease obligations	(295,264)
Payments accrued interest - long-term debt	(7,124,612)
Capital contributions received from partners	13,963,604
Distributions to partners (controlling interest)	(522)
Distributions to partners (non-controlling interest)	(5,222,568)
Net Cash Used in Financing Activities	(9,678,161)
Net Decrease in Cash, Cash Equivalents, and Restricted Cash	(9,190,353)
Cash, Cash Equivalents, and Restricted Cash, beginning of year	100,289,629
Cash, Cash Equivalents, and Restricted Cash, end of year	$ 91,099,276

Year ended June 30, 2023		
Supplemental Disclosure of Cash Flow Information		
Interest paid	$	8,090,590
Operating lease assets obtained in exchange for lease liabilities - upon adoption		30,098,936
Non-cash changes in fixed assets and deferred revenue		7,546,441

See accompanying notes to consolidated financial statements.

1. Organization

Catholic Charities, Diocese of Brooklyn (Catholic Charities) is a not-for-profit corporation that provides a variety of social services throughout the boroughs of Brooklyn and Queens. Catholic Charities is the sole corporate member of the following organizations:

- Catholic Charities Neighborhood Services (CCNS) is a not-for-profit corporation that provides a variety of social services throughout the boroughs of Brooklyn and Queens. CCNS has experienced decreases in net assets for several years and has an accumulated net deficit at June 30, 2023. CCNS has received internal grants and capital loans from Catholic Charities through June 30, 2023 and is economically dependent on Catholic Charities for financial support. Catholic Charities has committed to CCNS that it will provide financial support to CCNS sufficient for it to satisfy its obligations as they come due until December 31, 2023 and will satisfy on a timely basis all liabilities and obligations of CCNS that CCNS is unable to satisfy when due through and including December 31, 2023.
- Progress of Peoples Management Corporation (POP Management) is a not-for-profit organization that was organized for the purpose of providing management and operational services for low-income housing projects located in the boroughs of Brooklyn and Queens. POP Management derives most of its revenue from fees earned for services provided to affiliated low-income housing projects.
- Catholic Charities Progress of Peoples Development Corporation (POP Development) is a not-for-profit organization whose primary function is to sponsor, arrange, and provide affordable housing to low-, moderate-, or middle-income residents, including the elderly. All properties are located in Brooklyn and Queens. POP Development wholly owns or controls the sole stockholder of 22 for-profit entities, collectively referred to as “General Partner Corporations.” The General Partner Corporations have a minority interest in 20 limited partnerships. POP Development also controls 19 Not-for-Profit Housing Affiliates and 20 For-Profit Housing Affiliates (the Housing Affiliates). Support for POP Development comes primarily from developer fees.
- Pierrepont Charitable Fund (PCF) is a not-for-profit organization whose primary purpose is to assist in the support and funding of the activities of Catholic Charities.
- J. Jerome Reddy Foundation, Inc. (the Foundation) assisted Catholic Charities in the fulfillment of its mission to the poor, dependent, handicapped, aged, families, and children in Brooklyn and Queens by leasing its property to senior citizen centers for various social activities, including meal programs. During the year ended June 30, 2023, the Foundation was dissolved.
- Saints Joachim & Anne Nursing and Rehabilitation Center (the Center) is a not-for-profit voluntary nursing home located in Brooklyn, New York. The Center is a skilled nursing facility with a 200-bed capacity. The Center’s primary source of revenue is from Medicaid and Medicare patients.
- Mary’s Hall, Inc. (Mary’s Hall) is a not-for-profit corporation established to assist in creating, promoting, and fostering better social and living conditions in New York City, New York State, and elsewhere in the United States of America.

The General Partner Corporations are comprised of the following:

General Partner Corporation	State Incorporated	Date Formed	Invested in General Partner Interest of For-Profit Housing Entity
55 Pierrepont Apartments Corp.	New York	August 22, 2011	55 Pierrepont LLC
Bedford-St. John's Associates, Inc.	New York	August 2, 2001	715 St. John's Place, LP
Bishop Boardman Apartments, Inc.	New York	May 17, 2005	Bishop Boardman Senior Apartments, LP
Bishop Mugavero Apartments, Inc.	New York	May 17, 2005	Bishop Francis J. Mugavero Senior Apartments, LP
Caring Supported Housing Managing Member Corporation (Managing Member)	New York	August 13, 2013	Caring Supported Housing LLC
Caring Supported Housing Development Fund Corporation (Managing Member)	New York	October 17, 2013	Caring Supported Housing LLC
Holy Spirit Apartments, Inc.	New York	May 17, 2005	Holy Spirit Senior Apartments, LP
Howard Beach Housing Corporation	New York	August 19, 2011	Howard Beach Apartments, LLC
Jefferson Melrose Associates, Inc.	New York	August 25, 2003	Wilson Avenue, LP
Mary Star of the Sea Apartments, Inc.	New York	May 17, 2005	Mary Star of the Sea Senior Apartments, LP
Msgr. Burke Apartments, Inc.	New York	May 17, 2005	Msgr. Edward Burke Senior Apartments, LP
Msgr. John O'Brien Apartments, Inc.	New York	May 17, 2005	Msgr. John O'Brien Senior Apartments, LP
Msgr. Thomas Campbell Apartments, Inc.	New York	May 17, 2005	Msgr. Thomas Campbell Senior Apartments, LP
O.L. Loreto Housing Corp. (Managing Member)	New York	October 25, 2010	Loreto Preservation LLC
O.L. Loreto Housing Development Fund Corporation (Managing Member)	New York	November 30, 2010	Loreto Preservation LLC
Pope John Paul II Apartments, Inc.	New York	May 17, 2005	Pope John Paul II Senior Apartments, LP
Sr. Lucian Apartments, Inc.	New York	May 17, 2005	Sr. Lucian Senior Apartments, LP
St. Brendan's Apartments, Inc.	New York	May 17, 2005	St. Brendan's Senior Apartments, LP
Taaffe/Kent Associates, Inc.	New York	March 20, 1998	918 Kent Avenue, LP
Willoughby Classon Apartments, Inc.	New York	December 1, 1990	Classon Avenue Housing Associates, LP
Sheridan II MM Corporation	New York	March 26, 2019	Sheridan II LLC
Loreto II MM Corporation	New York	March 26, 2019	Loreto II LLC

The Not-for-Profit Housing Affiliates, whose primary purpose is affordable housing, comprise the following:

Entity Name	State Incorporated	Date Formed/ Acquired	Multi-Family Residential Housing Property	Program
101-105 South 8th Street Housing and Development Financial Corporation (HDFC)	New York	June 24, 2008	25 units located in Brooklyn, New York	Low-Income Housing Preservation and Resident Home Ownership Act (LIHPRA)
176 South 8th Street HDFC	New York	June 24, 2008	30 units located in Brooklyn, New York	LIHPRA
72 Lewis Avenue Apartments HDFC	New York	January 28, 2008	36 units located in Brooklyn, New York	LIHPRA
Bellerose HDFC	New York	July 27, 1989	50 units located in Brooklyn, New York	Section 202 of the National Housing Act
Caring Communities Associates HDFC	New York	April 19, 1993	N/A	N/A
Casa Betsaida HDFC	New York	June 1, 2002	27 units located in Brooklyn, New York	N/A
Catherine Sheridan HDFC	New York	April 18, 2002	240 units located in Queens, New York	Section 207 pursuant to Section 223(f) of the National Housing Act
David Minkin HDFC	New York	September 15, 1995	100 units located in Brooklyn, New York	Section 202 of the National Housing Act
Msgr. Stedman HDFC	New York	September 23, 1997	88 units located in Brooklyn, New York	Section 202 of the National Housing Act
Mt. Carmel HDFC	New York	August 2, 2001	68 units located in Brooklyn, New York	Section 202 of the National Housing Act
Our Lady of Fatima HDFC	New York	January 24, 1994	93 units located in Queens, New York	Section 202 of the National Housing Act
Pierrepont HDFC	New York	November 8, 2000	N/A	N/A
Pierrepont House for the Elderly	New York	August 1979	N/A	N/A
St. Paul the Apostle HDFC	New York	February 10, 2000	86 units located in Brooklyn, New York	Section 202 of the National Housing Act
St. Pius V HDFC	New York	September 23, 1997	70 units located in Queens, New York	Section 202 of the National Housing Act
St. Theresa of Avila HDFC	New York	February 8, 2002	64 units located in Brooklyn, New York	Section 202 of the National Housing Act
Sunset Park HDFC	New York	September 1, 1979	16 units located in Brooklyn, New York	Section 202 of the National Housing Act
Laudato Si Corporation	New York	March 15, 2021	N/A	N/A
VB CCPOPD Housing Development Fund Corporation	New York	June 28, 2021	N/A	N/A

The For-Profit Housing Affiliates, whose primary purpose is affordable housing, comprise the following:

Entity Name	State Incorporated	Date Formed/ Acquired	Multi-Family Residential Housing Property	Program
55 Pierrepont LLC	New York	December 22, 2011	188 units located in Brooklyn, New York	Section 8 of the National Housing Act and Section 42 of the Internal Revenue Code
715 St. John's Place, LP	New York	August 15, 2001	31 units located in Brooklyn, New York	Section 42 of the Internal Revenue Code
918 Kent Avenue, LP	New York	March 20, 1998	47 units located in Brooklyn, New York	Section 42 of the Internal Revenue Code
Bishop Boardman Senior Apartments, LP	New York	May 17, 2005	200 units located in Brooklyn, New York	Section 8 of the National Housing Act and Section 42 of the Internal Revenue Code
Bishop Francis J. Mugavero Senior Apartments, LP	New York	May 17, 2005	85 units located in Brooklyn, New York	Section 8 of the National Housing Act and Section 42 of the Internal Revenue Code
Caring Supported Housing LLC	New York	August 13, 2013	215 units located in Brooklyn, New York	Section 42 of the Internal Revenue Code
Classon Avenue Housing Associates, LP	New York	November 1990	79 units located in Brooklyn, New York	Section 42 of the Internal Revenue Code
Holy Spirit Senior Apartments, LP	New York	May 17, 2005	51 units located in Brooklyn, New York	Section 8 of the National Housing Act and Section 42 of the Internal Revenue Code
Howard Beach Apartments, LLC	New York	August 3, 2011	96 units located in Howard Beach, New York	Section 8 of the National Housing Act and Section 42 of the Internal Revenue Code
Loreto Preservation LLC	New York	October 29, 2008	64 units located in Brooklyn, New York	Section 42 of the Internal Revenue Code
Mary Star of the Sea Senior Apartments, LP	New York	May 17, 2005	101 units located in Brooklyn, New York	Section 8 of the National Housing Act and Section 42 of the Internal Revenue Code
Msgr. Edward T. Burke Senior Apartments, LP	New York	May 17, 2005	51 units located in Brooklyn, New York	Section 8 of the National Housing Act and Section 42 of the Internal Revenue Code

Entity Name	State Incorporated	Date Formed/ Acquired	Multi-Family Residential Housing Property	Program
Msgr. John P. O'Brien Senior Apartments, LP	New York	May 17, 2005	113 units located in Brooklyn, New York	Section 8 of the National Housing Act and Section 42 of the Internal Revenue Code
Msgr. Thomas Campbell Senior Apartments, LP	New York	May 17, 2005	73 units located in Brooklyn, New York	Section 8 of the National Housing Act and Section 42 of the Internal Revenue Code
Pope John Paul II Senior Apartments, LP	New York	May 17, 2005	61 units located in Brooklyn, New York	Section 8 of the National Housing Act and Section 42 of the Internal Revenue Code
Sr. Lucian Senior Apartments, LP	New York	May 17, 2005	150 units located in Brooklyn, New York	Section 8 of the National Housing Act and Section 42 of the Internal Revenue Code
St. Brendan's Senior Apartments, LP	New York	May 17, 2005	121 units located in Brooklyn, New York	Section 8 of the National Housing Act and Section 42 of the Internal Revenue Code
Wilson Avenue, LP	New York	December 11, 2003	85 units located in Brooklyn, New York	Section 42 of the Internal Revenue Code
Sheridan II LLC	New York	March 27, 2019	103 units located in Brooklyn, New York	Section 8 of the National Housing Act and Section 42 of the Internal Revenue Code
Loreto II LLC	New York	March 27, 2019	136 units located in Brooklyn, New York	Section 8 of the National Housing Act and Section 42 of the Internal Revenue Code

Catholic Charities and the related entities identified in this note are collectively referred to as the Organization.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include Catholic Charities, CCNS, POP Management, POP Development, Mary's Hall, the General Partner Corporations, the Housing Affiliates, PCF, the Foundation, Laudato Si Corporation, and the Center.

Additionally, the consolidated financial statements include the accounts of 22 For-Profit Housing Affiliates in which the General Partner Corporations have a controlling interest. These entities are included in the consolidation in accordance with the accounting standards for determining whether a general partner, or the general partners as a group, controls a limited partnership or similar entity when the limited partners have certain rights. In accordance with the accounting standards, management determined that the presumption of control for the limited partnerships in which POP Development owns the entire stock of the general partners had not been overcome, and as a result, the Organization is required to consolidate the financial statements of those limited partnerships.

Collectively, all of these entities are referred to as the Organization.

All material intercompany transactions and balances have been eliminated in consolidation.

Basis of Presentation

The accompanying consolidated financial statements of the Organization have been prepared on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America (GAAP). In the consolidated statement of financial position, assets and liabilities are presented in order of liquidity or conversion to cash and their maturity resulting in the use of cash, respectively.

Non-Controlling Interests

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 810, *Consolidation*, the Organization reports non-controlling interests, sometimes referred to as minority interests, as part of total net assets in the consolidated statement of financial position. Furthermore, the Organization reports the changes in net assets of both the controlling and non-controlling interests, for the period presented, in the consolidated statement of changes in net assets.

Consolidated Financial Statement Presentation

The classification of a not-for-profit organization's net assets and its support, revenue, and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the two classes of net assets—with donor restrictions and without donor restrictions—be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

Without Donor Restrictions – This class consists of net assets that are not subject to donor-imposed stipulations and are, therefore, available for the general operations of the Organization.

Without Donor Restrictions: Non-Controlling Interest in Limited Partnerships - This consists of the aggregate balance of limited partnership/member equity interest (both positive and negative amounts) in non-wholly owned limited partnerships that are included in the consolidated financial statements.

With Donor Restrictions – This class consists of net assets with donor restrictions whose use is limited by donor-imposed time and/or purpose restrictions. When a donor restriction expires—that is, when a stipulated time restriction ends, or purpose restriction is accomplished—the net assets are reclassified as net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a board-approved spending policy. At June 30, 2023, the Organization has net assets with donor restrictions held in perpetuity of $2,822,008. See Note 9 for further discussion of net assets with donor restrictions in perpetuity.

Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, the Organization considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

Restricted Deposits and Funded Reserves

Many of the Organization's housing affiliates are subject to U.S. Department of Housing and Urban Development (HUD) regulatory agreements, which restrict the use of the property and limit the use of project cash. Under these regulatory agreements, many of the subsidiaries are precluded from receiving any distributions of operating cash. Nonprofit housing affiliates are required to prepare a surplus cash calculation annually, and any surplus cash, as defined in the individual agreements, is required to be deposited in a residual receipts account controlled by HUD. The existing deposits to this account at June 30, 2023 (which includes all prior required contributions less withdrawals) are included in restricted deposits and funded reserves on the accompanying consolidated statement of financial position.

The following table provides a reconciliation of cash and total deposits (restricted cash) reported within the consolidated statement of financial position that sum to the total of the cash, cash equivalents, and restricted cash shown in the consolidated statement of cash flows:

June 30, 2023	
Cash and cash equivalents	$ 37,210,540
Cash held in escrow for construction	5,089,619
Amounts held for others	109,277
Restricted deposits and funded reserves	48,689,840
Total	$ 91,099,276

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Fair Value Measurements

GAAP establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that inputs that are most observable be used when available. Observable inputs are those that market participants operating within the same marketplace as the Organization would use in pricing the Organization's asset or liability based on independently derived and observable market data. Unobservable inputs are inputs that cannot be sourced from a broad active market in which assets or liabilities identical or similar to those of the Organization are traded. The Organization estimates the price of any asset or liability for which there are only unobservable inputs by using assumptions that market participants that have investments in the same or similar assets or liabilities would use as determined by the money managers for each investment based on best information available in the circumstances. The input hierarchy is broken down into three levels based on the degree to which the exit price is independently observable or determinable, as follows:

Level 1 – Valuations are based on quoted market prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 – Valuations are based on quoted market prices of investments that are not actively traded or for which certain significant inputs are not observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Valuations are based on inputs that are unobservable and reflect management's best estimate of what market participants would use as fair value.

Investment return, net, is recognized when earned and consists of interest, dividends, and realized and unrealized gains and losses, less direct external investment expenses. Dividends are recorded on the ex-dividend date. Purchases and sales are recorded on a trade-date basis.

Accounts Receivable and Bad Debts

Accounts receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. GAAP requires that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

For transactions subject to ASC Topic 606, *Revenue from Contracts with Customers* (ASC 606), accounts receivable are recorded at the reimbursable or contracted amount and do not bear interest. Billings for services under third-party payor programs are included in revenue, net of allowances for contractual discounts and implicit price concessions for differences between the amounts billed and estimated program payment amounts. Adjustments to the estimated payment amounts based on final settlement with the programs are recorded in the period the final settlement occurs as an adjustment to revenue.

Fixed Assets, Net

Fixed assets, net, are stated at cost less accumulated depreciation and amortization, and computed using the straight-line method. Items with a cost of more than $1,000 and an estimated useful life of more than one year are capitalized. Leasehold improvements are amortized using the straight-line method over the life of the lease or useful life of the asset, whichever is shorter.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets, as follows:

Asset Category	Years
Buildings and building improvements	5-40
Capitalized software	3-5
Leasehold improvements	5-18
Furniture and equipment	3-25

Costs associated with the development and rehabilitation of any projects are capitalized and included in construction-in-progress and are recorded at cost.

Impairment of Long-Lived Assets

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be fully recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the year ended June 30, 2023.

Predevelopment Costs

The Organization incurs costs in connection with properties it is considering for development, as well as costs associated with properties in the initial stages of development. These costs include such items as market studies, purchase options, environmental study cost, legal, and accounting costs. These costs are capitalized and recorded as predevelopment project costs until such time as the project either is abandoned or becomes an approved project with independent funding sources. Predevelopment project costs are charged to operations at either the time a potential project is no longer considered desirable or feasible, or the project has incurred excess development costs, which are absorbed by the Organization and charged to operations per terms of the related partnership agreement. Predevelopment project costs related to projects that are ultimately developed are recorded as receivables and are included in other assets in the accompanying consolidated statement of financial position.

Amounts Held for Others

Amounts held for others include amounts held for residents in the nursing home, intermediate care facilities, independent residences assistance, and the community residences programs. The account is primarily cash, funded by Social Security checks for the residents, which is used to fund the personal needs of the residents and to reimburse CCNS and the Center for general costs associated with the maintenance of the residents.

Annuities Payable

Charitable gift annuities are recorded at the date the assets are received after recording liabilities for the actuarial present value of the estimated payments to be made to donors and/or other beneficiaries. Such contributions are recorded as increases in net assets with donor restrictions if received with donor restrictions. The liabilities are adjusted annually for changes in the value of the assets and changes in the estimates for future benefits. The change in value of split-interest agreements is recorded in contributions in the accompanying consolidated statement of activities.

Debt Issuance Costs

Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the mortgage loan payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed interest rate on the related loan.

Investment in Unconsolidated Entities

The Organization holds an investment in a limited partnership that is not consolidated as it is not controlled by the Organization. The investment is accounted for under the cost method of accounting and recorded at cost.

Revenue Recognition

ACS 606 outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied. The five-step model is outlined below.

1. Identify the contract(s) with a customer.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations in the contract.
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

The Organization recognizes revenue when control of the promised goods or services is transferred to outside parties in the amount that reflects the consideration the Organization expects to be entitled to in exchange for those goods or services. ASC 606 also requires new and expanded disclosures regarding revenue recognition to ensure an understanding as to the nature, amounts, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization has identified service fees from third-party reimbursements as the only revenue category subject to ASC 606.

Revenues with customers is comprised of the following:

Year ended June 30, 2023		
Medicaid	$	16,852,530
Medicare		493,798
Third-party insurance		137,397
Supplemental Security Income (SSI) and Social Security Income (SSA)		1,867,296
Miscellaneous		40,700
Service Fees from Third-Party Reimbursements		19,391,721
Medicaid		15,502,643
Medicare		3,676,258
Commercial		5,498,048
Private pay		240,870
Net Residence Service Revenue		24,917,819
Total Revenue from Contracts Subject to ASC 606		44,309,540
Other revenues not subject to ASC 606		167,215,896
Total Operating Revenues	$	211,525,436

Receivables and contract balances from contracts with customers are as follows:

		Contract Liabilities		Receivables
Beginning of year	$	2,098,513	$	7,620,238
End of year		1,986,338		5,890,688

Service Fees from Third-Party Reimbursements

Service fees from third-party reimbursements disaggregated by line of service are as follows:

Year ended June 30, 2023		
Clinics	$	5,067,176
Flatbush Addiction Treatment Center		300,162
Personalized Recovery Oriented Services		2,386,889
Community Living Program		5,547,961
Health Homes		2,121,775
Residential Habilitation		2,121,804
Social Security		1,845,954
Service Fees from Third-Party Reimbursements	$	19,391,721

The Organization receives revenues for services provided to approved clients under contract or other regulations with various government agencies. Revenue from service fees provided under such agreements may be subject to predetermined budgets or provisional rates. Amounts reported as revenue from third-party reimbursement are subject to possible adjustment after audit. Amounts related to third-party reimbursements and/or settlements are reported as program liabilities in the accompanying consolidated statement of financial position.

Management is of the opinion that adjustments, if any, resulting from any audits will not have a material adverse effect on the Organization's financial position or changes in net assets (deficit) and will be recorded in the year they become known.

Revenue is recognized as performance obligations are satisfied over time based on actual charges incurred in relation to total expected (or actual) charges. The Organization recognizes its fee-for-service performance obligation after the patients receive care or treatment and when the Organization has properly documented the type of care in the patient charts. The Organization measures revenue from the commencement of services to the continuation of services, and until services are no longer required. The Organization believes that this method provides a reasonable representation of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation.

As substantially all of its performance obligations relate to established rate agreements with a duration of less than one year, the Organization has elected, as part of its adoption of the new revenue standard, to apply the optional exemption provided in Accounting Standards Update (ASU) 2014-09 and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

Throughout the year, rates may vary, as determined by New York State, and the Organization will record additional revenue resulting from a rate increase and record a reduction of revenue with a rate decrease. These rate adjustments represent variable consideration in the form of explicit or implicit price concessions and the Organization considers these amounts in determination of the transaction price based on its estimates of contractual adjustments (based on contractual agreements), its policies, and historical experience including its historical collection experience.

As a practical expedient, the Organization utilizes the portfolio approach for analyzing the revenue contracts, in accordance with ACS 606. The Organization accounts for the contracts within each portfolio collectively, rather than individually, based on each revenue stream. The Organization considers the similar nature and characteristics of the contract and customers in using the portfolio approach. The Organization believes that the use of the portfolio approach to analyze contracts will not differ materially than if the contracts were analyzed individually.

Net Residence Service Revenue

Net residence service revenue is reported at the amount that reflects the consideration to which the Center expects to be entitled in exchange for services rendered. These amounts are due from residents and third-party payors (including health insurers and government payors) and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Center bills the residents and third-party payors several days after services have been rendered. Revenue is recognized as the performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Center. The Center's contracts include various obligations to deliver goods and services, but in the context of the contract, none of them are distinct. As such, the Center typically only has one performance obligation.

The Center determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors. The Center determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. The Center determines its estimate of implicit price concessions based on its historical collection experience with each class of residents.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Center's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims, or penalties would have upon the Center. In addition, the contracts the Center has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive revenue adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing care to the Center's residents. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Center's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations.

Generally, residents who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Center estimates the transaction price for residents with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions based on historical collection experience. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to nursing home/assisted living/board and care/other elderly care/coop and other revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the residents' ability to pay are recorded as bad debt expense.

Revenue for performance obligations satisfied over time is recognized based on actual timing of services provided. The Center believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to residents in the Center receiving services. The Center measures the performance obligation from admission into the Center to the point when it is no longer required to provide services to that resident, which is generally at the time of discharge.

Service Fees from Governmental Agencies

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Government and other grants revenues are non-exchange transactions in which no commensurate value is exchanged. Accordingly, contribution accounting is applied under ASC Topic 958, *Not-for-Profit Entities*. Government and other grants contracts are evaluated for contributions that are conditional. Factors indicating the existence of a conditional contribution include the presence of a barrier that must be overcome and either a right of return of assets transferred or a right of release of a funder's obligation to transfer the assets. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions.

Clients' Fees

Clients' fees include SSI and SSA payments, which cover the housing allowance for certain participants of the Office for People with Developmental Disabilities (OPWDD) and Office of Mental Health (OMH) programs. Participant fees also include food stamps revenue, clothing allowance, and incidental expenses. Participant fees are accounted for as either Topic 842, *Leases*, or Topic 958, *Contributions*.

Rental Revenue

Rental income is recognized for apartment rentals as earned. Advance receipts of rental income are deferred and classified as liabilities until earned. Rentals are generally under annual lease agreements. All leases between the properties and tenants are considered to be operating leases.

Management and Developer Fees

Development and builder fees are recognized as income in the year earned based on the percentage-of-completion method, taking into account the total anticipated development costs of the related project and the completion, tax credit, and operating deficit guarantee obligations of POP Development to the respective limited partnerships. The unearned portion is deferred and included in other liabilities on the accompanying consolidated statement of financial position.

Contributions

Contributions and promises to give are recorded as revenue at the time they are made or pledged unconditionally and supported by a written commitment. Contributions are classified as either with or without donor restrictions. Contributions are non-exchange transactions in which no commensurate value is exchanged. Therefore, contributions fall under the purview of ASC Topic 958, *Not-for-Profit Entities*.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at present value of estimated future cash flows. Conditional promises to give are not included as support until such time as the conditions are substantially met.

In-Kind Contributions

Contributions of services are recognized when they are received if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not donated.

The Organization uses rent-free and below fair market value facilities at certain program locations. The fair value of the in-kind rent is reflected as support and occupancy cost. Total contributed rent for the year ended June 30, 2023 was $1,341,368.

The value of contributed services relating to head start, early head start, and early head start expansion programs was $1,624,391 for the year ended June 30, 2023. Contributed services and consultant revenue were valued based on number of hours services were provided by volunteers and applicable teacher's salary rate. The value of these services represents the difference between the compensation that would have been paid to the volunteer and the comparable compensation that would be paid if an employee were to hold these positions. In addition, the Organization received other in-kind contributions relating to head start, early head start, and early head start expansion programs of $3,289,651 for the year ended June 30, 2023. Other in-kind contributions are valued based on the costs of educational material and curriculum received that would otherwise have to be purchased.

Total in-kind contributions of $6,255,410 have been recorded in contributed goods, services, and rent on the accompanying consolidated statement of activities.

During the fiscal year, the value of in-kind contributions to the Organization consisted of the following:

Year ended June 30, 2023		
Program services - head start, early head start, and early head start expansion - contributed rent	$	1,341,368
Program services - head start, early head start, and early head start expansion - contributed services		1,624,391
Program services - head start, early head start, and early head start expansion - other in-kind		3,289,651
Total	$	6,255,410

Functional Allocation of Expenses

The cost of providing programs by the Organization has been summarized on a functional basis in the accompanying consolidated financial statements. Accordingly, expenses have been charged to program and supporting services based on direct expenses and other specific allocation methods. Costs common to multiple functions have been allocated among the program and supporting services based on time and effort measurements and other methods:

- Staff costs are allocated based on time and effort.
- Occupancy, depreciation, and information technology costs are allocated based on square footage.

- General and administrative expenses include costs not identifiable with any specific program, but which provide for the overall support and direction of the Organization.

Endowment

The Organization follows the provisions of ASC 958, *Not-for-Profit Entities*, related to enhanced disclosures for all endowment funds. The Organization has also adopted the provisions of the New York Prudent Management of Institutional Funds Act (NYPMIFA), which was enacted by the state of New York on September 17, 2010. The law is designed to allow organizations to cope more easily with fluctuations in the value of their endowments and to afford them greater access to funds needed to support their programs and services in difficult financial times. It also expands the options available to organizations seeking relief from donor restrictions on funds that have become obsolete, impracticable, or wasteful. The adoption of this law did not have a material effect on the Organization's consolidated financial statements.

Tax Status

Catholic Charities, CCNS, PCF, the Foundation, the Center, POP Development, POP Management, and the Not-for-Profit Housing Affiliates are classified as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code and, therefore, have made no provision for income taxes in the accompanying consolidated financial statements.

Catholic Charities, CCNS, PCF, the Foundation, the Center, POP Development, POP Management, and the Not-for-Profit Housing Affiliates have not taken an unsubstantiated position that would require provision of a liability under GAAP. There are uncertain tax positions for Caring Communities Associates Housing Development Corporation and 13 Housing Development Fund Corporations. Under GAAP, an organization must recognize the tax liabilities associated with tax positions taken for tax return purposes when it is more likely than not that the position will not be sustained upon examination. Except for Caring Communities Associates Housing Development Corporation and 13 Housing Development Fund Corporations, Catholic Charities, CCNS, PCF, the Foundation, the Center, POP Development, POP Management, and the Not-for-Profit Housing Affiliates do not believe there are any material uncertain tax positions and, accordingly, have not recognized any liability for unrecognized tax benefits as of June 30, 2023. Catholic Charities, CCNS, PCF, the Foundation, the Center, POP Development, POP Management, and the Not-for-Profit Housing Affiliates have filed Internal Revenue Service (IRS) Form 990 tax returns, as required, and all other applicable returns in jurisdictions where it is required. For the year ended June 30, 2023, there were no interest or penalties recorded or included in the accompanying consolidated financial statements. Catholic Charities, CCNS, PCF, the Foundation, the Center, POP Development, POP Management, and the Not-for-Profit Housing Affiliates are subject to routine audits by taxing authorities. As of June 30, 2023, Catholic Charities, CCNS, PCF, the Foundation, the Center, POP Development, POP Management, and the Not-for-Profit Housing Affiliates were not subject to any examinations by a taxing authority.

The For-Profit Housing Affiliates have elected to be treated as pass-through entities for income tax purposes and, as such, are not subject to income taxes. Rather, all items of taxable income, deductions, and tax credits are passed through to and are reported by the owners on their respective income tax returns. The For-Profit Housing Affiliates' federal tax status as pass-through entities is based on their legal status as partnerships or limited liability companies. Accordingly, the For-Profit Housing Affiliates are not required to take any tax positions in order to qualify as pass-through entities. The For-Profit Housing Affiliates are required to file and do file tax returns with the IRS and other taxing authorities. Accordingly, these consolidated financial statements do not reflect a provision for income taxes and the Housing Affiliates have no other tax positions that must be considered for disclosure.

The General Partner Corporations operate as C corporations and are not exempt from income taxes. The General Partner Corporations account for income taxes in accordance with the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for temporary differences between financial statement and income tax bases of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. A valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized. No taxable income was reported by the General Partner Corporations as of June 30, 2023, and no temporary differences between financial statement and income tax bases of assets or liabilities that are required to be reported existed at June 30, 2023. Accordingly, these consolidated financial statements do not reflect a provision for income taxes or deferred tax assets or liabilities, and the General Partner Corporations have no other tax positions that must be considered for disclosure.

Use of Estimates

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

Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash and cash equivalents. At times, the Organization has cash deposits at financial institutions that exceed the Federal Deposit Insurance Corporation insurance limits. These financial institutions have strong credit ratings and management believes that credit risk related to these accounts is minimal.

Risks and Uncertainties - Investments

The Organization's investments consist of a variety of investment securities. Such securities are subject to various risks that determine the value of the funds, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain securities and the level of uncertainty related to changes in the value of these securities, it is reasonably possible that changes in market conditions in the near term could materially affect the value of the Organization's investments reported in the accompanying consolidated financial statements.

Accounting Pronouncements Recently Adopted

Leases (Topic 842) - All Entities Except Loreto II LLC and Entities with Stock Ownership and Calendar Year Ended December 31

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which applies a right-of-use (ROU) model that requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset and a liability to make lease payments. For leases with a term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize an ROU asset or lease liability. The FASB also issued ASU 2020-05, which deferred the effective date for the Organization until annual periods beginning after December 15, 2021. Effective July 1, 2022, all entities except Loreto II LLC and entities with stock ownership and calendar year ended December 31 adopted this ASU following the modified retrospective method of application. See Note 10 for additional information.

Accounting Pronouncements Issued but Not Yet Adopted

Financial Instruments - Credit Losses (Topic 326)

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,* as amended. The new credit losses standard changes the impairment model for most financial assets and certain other instruments. For trade and other receivables, contract assets recognized as a result of applying ASC 606, loans, and certain other instruments, entities will be required to use a new forward-looking “expected-loss” model that generally will result in earlier recognition of credit losses than under today’s incurred loss model. The FASB also issued ASU 2022-02, which deferred the effective date for the Organization until annual periods beginning after December 15, 2022. The Organization is currently evaluating the impact of the adoption of ASU 2016-13.

3. Related-Party Transactions

The Organization transacts business on behalf of and with other affiliated agencies of the Roman Catholic Diocese of Brooklyn (the Diocese). It has availed itself of services provided by such related organizations, including the rental of facilities, insurance, and pension. In addition, the Organization provides certain administrative services to related entities for which it is reimbursed.

Amounts due from and to affiliated agencies consist of the following:

June 30, 2023		
Due from affiliated agencies:		
Roman Catholic Diocese of Brooklyn	$	35,513
Family Home Care		81,799
Other affiliates		64,255
	$	181,567
Due to affiliated agencies:		
Roman Catholic Diocese of Brooklyn	$	8,975,694
Other affiliates		3,056,605
	$	12,032,299

In 2011, Catholic Charities entered into an agreement with Rockland Ecclesiastical Corporation to purchase the property in Brooklyn for $12,350,000. Prior to 2011, Catholic Charities leased the premises for $1 per year. Catholic Charities paid the Diocese $1,350,000 at closing and paid Rockland Ecclesiastical Corporation $1,000,000 on both January 2, 2012 and 2013. In addition, Catholic Charities entered into a mortgage note with the Diocese for the remaining $9,000,000. The mortgage note requires principal and interest of $275,000 semiannually through July 1, 2059. In addition, the purchase sale agreement gives Rockland Ecclesiastical Corporation the right to repurchase the property for $1 at the end of the agreement. The interest rate on the note approximates 6%. At June 30, 2023, the Organization had $8,820,625 outstanding on the mortgage note, included within due to affiliated agencies on the accompanying consolidated statement of financial position.

4. Investments, at Fair Value

Investments recorded at fair value have been categorized based upon a fair value hierarchy in accordance with GAAP. See Note 2 for a discussion of the Organization's policies regarding this hierarchy.

The financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy levels.

A description of the valuation techniques applied to the Organization's assets measured at fair value is as follows:

Short-Term Investments and Equities – These investments are carried at their aggregate market value, as determined by quoted market prices. These investments are classified as Level 1.

Fixed Income – These investments are priced by the investment managers using nationally recognized pricing services. These investments are classified as Level 2. U.S. Treasury investments are classified as Level 1.

Beneficial Interest in Charitable Trust – The Organization is a beneficiary of a charitable trust administered by an outside party. Under the terms of the trust, the Organization has the right to receive income earned on the trust assets and will receive the trust assets after the trust has been terminated or a maximum period of 25 years. These investments are classified as Level 3 as there currently is no market in which beneficial interests in trusts trade; therefore, no observable exit price exists for a beneficial interest in a charitable trust.

At June 30, 2023, the beneficial interest in charitable trust consists of $449,017 in fixed income.

The following table represents the Organization's fair value hierarchy for those assets measured at fair value:

June 30, 2023

	Fair Value	Level 1	Level 2	Level 3
Short-term investments	$ 3,874,225	$ 3,874,225	$ -	$ -
Equities	52,400,136	52,400,136	-	-
Fixed income:				
Government securities	20,147,132	20,147,132	-	-
Mortgage-backed securities	1,496,726	-	1,496,726	-
Corporate bonds	9,551,064	-	9,551,064	-
Total Investments	$ 87,469,283	$ 76,421,493	$ 11,047,790	$ -
Beneficial interest in charitable trust	$ 449,017	$ -	$ -	$ 449,017

There have been no changes in the methodologies used at June 30, 2023. There were no transfers between levels during the year ended June 30, 2023.

The table below sets forth a summary of changes in fair value of the Level 3 assets:

Year ended June 30, 2023

		Level 3 Assets
Beginning Balance	$	713,554
Transfer out		(250,000)
Net depreciation in fair value of investments		(14,537)
Ending Balance	$	449,017

5. Fixed Assets, Net

Fixed assets, net, are summarized as follows:

June 30, 2023

Land	$	30,906,400
Buildings and building improvements		521,266,831
Furniture and equipment		13,413,010
Capitalized software		111,351
Leasehold improvements		12,673,145
		578,370,737
Less: accumulated depreciation and amortization		(203,005,063)
		375,365,674
Construction-in-progress		10,906,397
Fixed Assets, Net	$	386,272,071

Depreciation and amortization expense for the year ended June 30, 2023 totaled $14,873,414. Construction-in-progress includes costs associated with renovations of various sites. Total costs to completion for the various site renovations is $13,500,000 at June 30, 2023.

6. Cash Held in Escrow for Construction and Restricted Deposits and Funded Reserves

On August 8, 2018, the New York State OMH approved the sale of Monica House, a mental health residence located in Queens, New York. The net proceeds of the sale of $2,823,484 were placed in escrow pursuant to an escrow agreement between OMH, CCNS, and the escrow agent. This amount will be available for use when CCNS submits a plan for the proceeds' reinvestment into residential mental health services to OMH for approval.

The Organization also has restricted deposits and funded reserves for cash and investments of $48,689,840 and $7,454,572, respectively, totaling $56,144,412 as of June 30, 2023, which primarily represent mortgage escrows, replacement reserves, and operating deficit reserves. The escrows and replacement reserves are held by the mortgage lender for the majority of the partnerships and are invested in cash and cash equivalents and investments, at fair value. The operating deficit reserves are generally required by the partnership agreements and are held in cash and cash equivalents.

7. Expenses by Nature and Function

Functional expenses are allocated based on the actual expenses and time occurred on each function and program.

The table below presents expenses by both their nature and function:

Year ended June 30, 2023

	Program Services	General and Administration	Fundraising	Total
Salaries and related expenses	$ 77,732,981	$ 13,953,434	$ 865,589	$ 92,552,004
Professional fees and contract service payments	11,526,642	1,828,908	67,251	13,422,801
Office and administrative expenses	3,625,670	4,053,261	-	7,678,931
Telephone and utilities	8,277,700	315,335	7,533	8,600,568
Postage and shipping	17,642	12,839	-	30,481
Occupancy costs	9,170,145	(336,376)	-	8,833,769
Rental, lease, and purchases of equipment	2,355,756	418,685	9,552	2,783,993
Travel expenses	179,861	28,151	6,443	214,455
Conferences, conventions, and meetings	477,939	58,955	23,544	560,438
Printing and publications	33,243	15,692	299	49,234
Real estate tax	6,272,267	-	-	6,272,267
Aid to clients	27,373,813	360	-	27,374,173
Insurance	6,837,539	1,380,195	-	8,217,734
Repairs and maintenance	7,067,604	83,686	-	7,151,290
Depreciation and amortization	13,932,787	904,597	36,030	14,873,414
Purchased services	-	417,505	-	417,505
Interest expense	7,605,314	375,593	-	7,980,907
Provision for doubtful accounts, net of recoveries	1,609,359	337,081	-	1,946,440
Servicing, trustee, and other financial expenses	2,197,924	196,265	-	2,394,189
Nursing home supplies and expenses	1,523,036	43,046	3,117	1,569,199
Security and other operating expenses	4,205,176	253,745	-	4,458,921
Other	2,449,275	3,514,332	852,385	6,815,992
	$ 194,471,673	$ 27,855,289	$ 1,871,743	$ 224,198,705

8. Pension Plan

Defined Benefit Plan

The Organization provided pension benefits to eligible employees through the Pension Plan of Roman Catholic Diocese of Brooklyn (the Diocesan Plan), a multi-employer defined benefit plan prior to October 2014.

Effective October 1, 2014, the Organization established the Catholic Charities Diocese of Brooklyn and Queens Pension Plan (the CCBQ Pension Plan) to assume the assets and liabilities in connection with the provision of retirement benefits to current and former employees who previously accrued retirement benefits under the Diocesan Plan. The plan qualifies as a “church plan,” as defined, and is not subject to the provisions of the Department of Labor (DOL) or the Employee Retirement Income Security Act of 1974 (ERISA), as amended. On October 1, 2014, Catholic Charities withdrew from the Diocesan Plan and froze the CCBQ Pension Plan.

The following sets forth the CCBQ Pension Plan's funded status from the most recent actuarial study, which was prepared for the July 1, 2021 plan year. The changes in the benefit obligation and fair value of plan assets, the funded status of the plan, the components of net periodic pension cost, and the assumptions used in the measurement of the CCBQ Pension Plan benefit obligation are as follows:

June 30, 2023		
Change in Benefit Obligation		
Projected Benefit Obligation, beginning of year	$	109,079,642
Interest cost		4,624,552
Actuarial loss		(7,237,968)
Benefits paid		(6,351,684)
Projected Benefit Obligation, end of year	$	100,114,542

June 30, 2023		
Change in Fair Value of Plan Assets		
Fair Value of Plan Assets, beginning of year	$	71,960,034
Actual return on plan assets		7,797,972
Employer contributions		1,700,016
Benefits paid		(6,351,684)
Fair Value of Plan Assets, end of year	$	75,106,338

June 30, 2023		
Funded status:		
Unfunded status of plan, which is included in other long-term liabilities in the consolidated statement of financial position	$	25,008,204

The net periodic pension cost is comprised of the following components:

Year ended June 30, 2023		
Interest cost on projected benefit obligation	$	4,624,552
Expected return on assets		(4,347,212)
Net Periodic Pension Cost	$	277,340

The total amount recognized in the consolidated statement of activities consists of net periodic pension costs of $277,340, which is included in general and administrative expense in the consolidated statement of activities.

The CCBQ Pension Plan assets are measured at fair value on a recurring basis. Fair value is defined as the price that would be received to sell an asset in an ordinary transaction between market participants at the measurement date.

A description of the valuation techniques applied to assets measured at fair value is as follows:

Fixed-Income Securities - Fixed-income securities include domestic corporate bonds, U.S. Treasury securities, and mortgage securities. The investment managers priced these investments using nationally recognized pricing services. Since fixed-income securities other than U.S. Treasury securities may not trade on a daily basis, the pricing services prepare estimates of fair value measurements for these securities using their proprietary pricing applications, which include available relevant market information, benchmark curves, benchmarking of similar securities, sector grouping, and matrix pricing. These investments are classified as Level 2.

Common Stock – The fair value of these investments is based on quoted market prices. Investments that are listed on an exchange are valued, in general, at the last reported sale price. These investments are classified as Level 1.

Short-Term Funds - Short-term funds consist of cash and equivalents, which are used to fund the short-term expense of the plan. These investments are classified as Level 1.

Plan assets were as follows:

June 30, 2023

	Level 1	Level 2	Level 3	Fair Value
Cash and cash equivalents	$ 66,159	$ -	$ -	$ 66,159
Mortgage securities	-	1,145,798	-	1,145,798
U.S. government agencies	-	15,949,561	-	15,949,561
Domestic corporate bonds	-	7,622,235	-	7,622,235
Common stock	47,976,932	-	-	47,976,932
Short-term funds	2,345,653	-	-	2,345,653
Total Investments	$ 50,388,744	$ 24,717,594	$ -	$ 75,106,338

Long-term investment objectives are to maintain plan assets that will assist in covering long-term obligations and to generate a return on plan assets sufficient to offset the growth of obligations.

A diversified portfolio and various risk management techniques are used to achieve these objectives.

The discount rate used in determining the actuarial present value of the projected benefit obligation was 4.88% as of June 30, 2023. The expected long-term return on plan assets was 6.75% in fiscal year 2023. The discount rates were selected to reflect the interest rate environment at the respective measurement dates. The expected long-term rate of return assumptions were selected to represent reasonable expectations of future experience. The plan utilizes the Pri-2012 mortality tables with MP-2021 improvement scale.

Plan benefits anticipated to be made by Catholic Charities are as follows:

Year ending June 30,		
2024	$	6,698,022
2025		6,793,549
2026		6,873,741
2027		6,926,332
2028		6,944,878
2029-2031		34,453,831
	$	68,690,353

The employer contribution expected to be paid in 2023 is approximately $1,700,000.

403(b) Pension Plan

Concurrent with the freezing of the CCBQ Pension Plan, Catholic Charities established the Catholic Charities Brooklyn and Queens Retirement 403(b) Plan (the CCBQ 403(b) Plan), a defined contribution retirement plan. The plan qualifies as a “church plan,” as defined, and is not subject to provisions of the DOL or ERISA.

Under the 403(b) plan, all eligible qualifying employees participate in the plan. Eligible employees may also make an elective salary contribution to the CCBQ 403(b) Plan. For all eligible employees, the Organization makes a non-elective contribution of various percentages to the plan. The total amount of each eligible employee’s contribution in the CCBQ 403(b) Plan may not exceed $26,000 in 2023. In addition, employees over the age of 50 are eligible for a catch-up provision, which allows an additional contribution amount not to exceed $6,500, for a total contribution amount of $26,000. The Organization makes a matching contribution equal to the employee’s salary reduction not to exceed 1% of the employee’s compensation. At June 30, 2023, the Organization contributed approximately $931,000 to the CCBQ 403(b) Plan.

1199SEIU Health Care Employees Pension Fund

Union employees are covered by a pension plan administered by the union, 1199SEIU Health Care Employees Pension Fund (the Union Plan). Total pension costs for the year ended June 30, 2023 related to union employees were approximately $800,000.

During the year ended June 30, 2023, the collective-bargaining agreement requiring contributions to the Union Plan was extended through September 30, 2024.

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The following table presents information about the Union Plan:

June 30, 2023

Legal Name	EIN	Pension Protection Act (PPA) Certified[(1)]	Contributions	Surcharge Imposed
1199SEIU Health Care Employees Pension Fund	13-3604862/001	Green	$ 829,651,784	No

(1) The most recent PPA zone status available in 2023 is for the Union Plan's year ended December 31, 2022. The zone status is based on information received from the plan and is certified by the Union Plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded.

9. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes:

June 30, 2023

Net Assets Restricted in Perpetuity	
Catholic Foundation	$ 1,115,457
Julia Walden Fund	710,986
Futures Fund	995,565
Total Net Assets Restricted in Perpetuity	2,822,008
Net Assets with Purpose Restrictions	
Family Services	1,515,099
Early Childhood Services	92,377
Behavioral Health Services	272,136
Older Adult Services	2,229,947
Services for People with Developmental Disabilities	12,141
Comprehensive Human Services	7,296,781
Nursing Scholarships	26,292
Low-Income Housing	735,200
Total Net Assets with Purpose Restrictions	12,179,973
Total	$ 15,001,981

Net assets with donor restrictions were released for the following purposes:

Year ended June 30, 2023

Family Services	$ 1,144,572
Behavioral Health Services	2,989,062
Older Adult Services	44,919
	$ 4,178,553

Catholic Charities is the beneficiary of The Domenica Amelia Arra Carrella Charitable Trust for the Benefit of the Catholic Charities of the Diocese of Brooklyn (the Trust). Income from the Trust is distributed annually for a maximum period of 25 years unless the trustees terminate the Trust and distribute all of the principal and income beforehand. Upon such termination of the Trust, all principal and undistributed net income shall be distributed to Catholic Charities. Distributions of income from the Trust are reported as investment income on the consolidated statement of activities. The corpus of the trust fund is administered by JPMorgan Chase Bank as co-trustee. Catholic Charities has reported the fair value of the contribution receivable from the Trust of $449,017 at June 30, 2023 as net assets with donor restrictions in the accompanying consolidated financial statements. The Trust is restricted for purposes of comprehensive human services. Changes in the fair value of the Trust are reported as donor-restricted gains or losses.

Endowment Funds

The Catholic Foundation (formerly, The Alive in Hope Foundation) includes investments held by the Catholic Foundation for the benefit of Catholic Charities, which are reflected as amounts held by others in the accompanying consolidated statement of financial position. Any change in the fair value of investments held by the Catholic Foundation is reported as investment income, with donor restrictions, in the accompanying consolidated statement of activities.

Interpretation of Relevant Law

The Organization classifies as an endowment fund to be restricted in perpetuity (a) the original value of gifts donated to the endowment fund, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument, when applicable. In accordance with the accounting guidance associated with the adoption of NYPMIFA, the remaining portion of the donor-restricted endowment fund that is not classified as donor restricted in perpetuity is classified as donor restricted for programs until those amounts are appropriated for expenditure.

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

- The duration and preservation of the fund.
- The purposes of the Organization and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Where appropriate and the circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect such alternatives may have on the Organization.
- Other resources of the Organization.

Fund Deficiencies

From time-to-time, the fair value of the assets associated with the individual donor-restricted endowment funds may fall below the level that is required to retain as a fund of perpetual duration (underwater). Of the donor-restricted endowment funds, one fund requires the investment gains and losses on the fair value of the asset to be added to the corpus. All other donor-restricted funds record the gains to net assets with donor restrictions and losses, if underwater, to net assets without donor restrictions. There were no fund deficiencies as of June 30, 2023.

Return Objectives and Risk Parameters

The Organization has adopted investment policies for the endowment assets that attempt to provide a predictable return on its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, the endowment assets are invested in a manner that is intended to maintain the corpus of the endowment fund with little or no risk. The Organization expects its endowment funds, consistent with underlying investments, which are primarily in money market funds, to provide an average rate of return of approximately 1% annually. Actual returns in any given year may vary from this amount.

Spending Policy

The Organization does not have a formal spending policy. The Organization spends the return during the year it is earned, as needed. There was no spending appropriation by the Board of Directors for the year ended June 30, 2023.

Changes in endowment net assets are as follows:

Year ended June 30, 2023

	Accumulated Endowment Earnings*	Endowment Fund	Total
Endowment Net Assets, beginning of year	$ 498,623	$ 2,822,008	$ 3,320,631
Net depreciation (realized and unrealized)	(900)	-	(900)
Ending Balance	$ 497,723	$ 2,822,008	$ 3,319,731

* Accumulated endowment earnings are subject to the Organization's appropriation spending policy.

10. Leases

As detailed in Note 2, all entities except Loreto II LLC and entities with stock ownership and calendar year ended December 31 adopted ASU 2016-02, *Accounting for Leases (Topic 842)*, effective July 1, 2022. Leases are classified as operating leases based on the underlying terms of the agreement and certain criteria, such as the term of the lease related to the useful life of the asset and the total lease payments to be made as compared to the fair value of the asset, amongst other criteria. For leases with initial terms greater than a year (or greater than one year remaining under the lease at the date of adoption of ASU 2016-02), the Organization records the related ROU assets and liabilities at the present value of the lease payments to be paid over the life of the related lease. Variable lease payments are excluded from the amounts used to determine the ROU assets and liabilities unless the variable lease payments depend on an index or rate or are, in substance, fixed payments. Lease payments related to periods subject to renewal options are also excluded from the amounts used to determine the ROU assets and liabilities unless the Organization is reasonably certain to exercise the option to extend the lease. The present value of lease payments is calculated by utilizing the discount rate stated in the lease, when readily determinable. For leases for which this rate is not readily available, the Organization has elected to use a risk-free discount rate determined using a period comparable with that of the lease term. The Organization has made an accounting policy election not to separate lease components from non-lease components in contracts when determining its lease payments for all of its asset classes, as permitted by ASU 2016-02. As such, the Organization accounts for the applicable non-lease components together with the related lease components when determining the ROU assets and liabilities.

The Organization has made an accounting policy election not to record leases with an initial term of less than a year as ROU assets and liabilities.

The following tables summarized information related to the lease assets and liabilities:

Year ended June 30, 2023		
Finance lease cost:		
Amortization of ROU assets	$	463,318
Interest on lease liabilities		270,608
Operating lease cost		4,364,118
Total Lease Cost	$	5,098,044

June 30, 2023		
ROU assets and liabilities:		
ROU assets – operating leases	$	26,497,813
Operating lease liabilities		26,484,421
ROU assets – financing leases		8,508,200
Financing lease liabilities		8,676,254

Year ended June 30, 2023		
Other information:		
Cash paid for accounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$	3,644,006
Operating cash flows from finance leases		295,264

Weighted-average remaining lease term - operating leases	8.63 years
Weighted-average discount rate – operating leases	3.07%
Weighted-average remaining lease term – finance leases	16.76 years
Weighted-average discount rate – finance leases	3.35%

Operating Leases

ROU assets – operating leases and operating lease liabilities are recorded in the accompanying consolidated statement of financial position.

The following table reconciles the undiscounted operating lease payments to the lease liabilities recorded on the accompanying consolidated statement of financial position at June 30, 2023:

Year ending June 30,	
2024	$ 4,660,652
2025	4,630,175
2026	3,809,851
2027	3,329,992
2028	2,601,248
Thereafter	11,439,366
Total Lease Payments	30,471,284
Less: imputed interest	(3,986,863)
Total Operating Lease Liabilities	$ 26,484,421

Finance Lease

The Organization leases one building under a finance lease that expires in March 2040. The lease, which is secured by the underlying property, requires monthly payments of principal and interest at 3.35% per annum.

The following is a schedule of future minimum lease payments, including interest under the term of the lease, together with the present value of the net minimum lease payments:

Year ending June 30,	
2024	$ 565,872
2025	581,894
2026	629,959
2027	629,959
2028	629,959
Thereafter	8,494,707
Total Lease Payments	11,532,350
Less: amounts representing interest	(2,856,096)
Total Finance Lease Liabilities	$ 8,676,254

The following table reconciles the gross amount of the building, and the related accumulated amortization recorded under the ROU asset, finance lease as follows:

June 30, 2023	
Building	$ 8,971,518
Less: accumulated amortization	(463,318)
	$ 8,508,200

11. Commitments and Contingencies

Operating Deficit Guarantee/Operating Deficit Loan Guarantee

Operating Deficit Guarantee

If, at any time after the Completion Date of certain Housing Affiliates, as defined in the individual agreements, an Operating Deficit exists, as defined in the individual agreements, then the General Partners (100% owned by CCPOP Development) for certain Housing Affiliates shall contribute funds (an Operating Deficit Contribution) to the partnership as a contribution to capital in an amount equal to the amount of the Operating Deficit. The General Partners' obligation shall be unlimited through the Stabilization Date, as defined in the individual agreements. The obligation of the General Partners to make Operating Deficit Contributions shall terminate on the date that the following have occurred simultaneously: (i) the project has operated at Breakeven for at least three consecutive calendar years following the Stabilization Date, as defined in the individual agreements, of the project; and (ii) the balance in the Operating Reserve equals or exceeds the minimum required per the partnership agreements. As of the date of this report, no amounts have been funded under this guarantee. The General Partners' remaining obligation to make Operating Deficit Contributions after the Stabilization Date, as defined in the individual agreements, which are not funded from the Operating Reserve, are limited to $1,495,000.

If, at any time during the period beginning upon the date Breakeven Operations, as defined in the individual agreements, are achieved and ending on the date on which Breakeven Operations, as defined in the individual agreements, are maintained over 12-month periods on an annual basis for three years of which at least two years shall be consecutive, an Operating Deficit, as defined in the individual agreements, exists, the Managing Member (100% owned by CCPOP Development) for Howard Beach Apartments, LLC shall provide such funds to Howard Beach Apartments, LLC as necessary to pay such Operating Deficits, as defined in the individual agreements; provided, however, that the Managing Member shall not be obligated to provide more than $853,509, plus amounts repaid as Operating Deficit Loans, in the aggregate. Any such funds provided after the achievement of Breakeven Operations, as defined in the individual agreements, shall be in the form of a noninterest-bearing loan to the Organization. As of the date of this report, no amounts have been funded under this guarantee.

If, at any time during the period beginning upon the date Breakeven Operations, as defined in the individual agreements, is achieved and ending on the date on the later of (i) the fifth anniversary of such date, and (ii) the Organization achieving the required Debt Coverage Ratio, as defined in the individual agreements, for the final two years during such period, an Operating Deficit, as defined in the individual agreements, exists, the Managing Member (100% owned by POP Development) for Loreto Preservation LLC shall provide such funds to the Organization as necessary to pay such Operating Deficits, as defined in the individual agreements; provided, however, that the Managing Member shall not be obligated to provide more than $436,200. As of the date of this report, no amounts have been funded under this guarantee.

Operating Deficit Loan Guarantee

If, at any time prior to the date that all of the conditions for the Investor Member's Final Installment are satisfied (Period 1), an Operating Deficit, as defined in the individual agreements, exists, the Managing Member (100% owned by the Organization) for 55 Pierrepont LLC shall fund the Operating Deficit, as defined in the individual agreements, without limitation as to amount through Operating

Deficit Loans. At any time during a minimum of five years after Period 1 until dissolution and liquidation of 55 Pierrepont LLC, the Managing Member's obligation to fund Operating Deficits, as defined in the individual agreements, through Operating Deficit Loans shall continue in an additional amount (but not reduced by any Operating Deficit Loans made in Period 1) not to exceed $1,813,429 in the aggregate. If, after the five years have passed, 55 Pierrepont LLC has maintained the required debt service coverage ratio, as defined in the individual agreements, for a 12-month period, the Managing Member's obligation to fund guarantees will expire. As of the date of this report, no amounts have been funded under this guarantee.

If, at any time during the period beginning upon the date Breakeven Operations, as defined in the individual agreements, is achieved and ending on the date on the later of i) the third anniversary of such date, and ii) final closing, as defined in the individual agreements, an Operating Deficit, as defined in the individual agreements, exists, the Managing Member for Caring Supported Housing LLC shall provide such funds in the form of an Operating Deficit Loan to Caring Supported Housing LLC as necessary to pay such Operating Deficits, as defined in the individual agreements; provided, however, that the Managing Member shall not be obligated to provide more than $1,503,851 and only to the extent there are no funds in the operating reserve or other reserve accounts, as defined in the individual agreements. As of the date of this report, no amounts have been funded under this guarantee.

POP Development Guarantees

POP Development and its general partners assume the normal risks and responsibilities of a general partner. POP Development and several of the General Partner Corporations have provided certain guarantees to several investee partnerships, as follows:

Tax Contribution Guarantee

If, at any time certain for-profit housing affiliates become liable for recordation or property sales taxes not identified in the Projections, as defined in the individual agreements, the General Partners shall contribute funds to the investee partnership an amount equal to such taxes. Any amounts funded under this guarantee shall not be deemed capital contributions to the investee partnership and shall not be repayable by the investee partnership. Since no such taxes were projected to be paid, the maximum potential amount of future payments under this guarantee cannot be estimated. As of the date of this report, no amounts have been funded under this guarantee.

Wilson Avenue, Limited Partnership Loan Guarantee

In connection with the development of a rental property, Wilson Avenue, a limited partnership, obtained a $500,000 purchase money mortgage from the Roman Catholic Church of St. Leonard. Simple interest accrues at a rate of 1% per annum. No interest is due or payable before the date of the closing of the permanent loan. The Organization has agreed to make the following payments:

On the first day of the first month following the one-year anniversary of the Commencement Date, as defined in the individual agreements, and on the first day of the first month following each successive anniversary of the Commencement Date prior to and including the Maturity Date, the Organization shall pay principal and interest totaling $19,298.

As of June 30, 2023, payments totaling $366,669 have been made under this guarantee, including $19,298 during the year ended June 30, 2023.

Lease with the Church of Our Lady of Loreto

CCPOP Development entered into a ground lease (the Church Property Ground Lease) and a project ground lease (the Project Ground Lease) agreement on January 11, 2011 with the Church of Our Lady of Loreto for land located in Brooklyn, New York, to be used for the construction and operation of an 88-unit rental project (the Loreto Project) for low-to-moderate-income families. The term of the lease is for 53 years commencing on the date the lease agreement was signed. CCPOP Development made a lump-sum rental payment of $607,000 for the two leases upon the closing of a construction loan for the development of the Loreto Project. The lump-sum rental payment is being amortized over the life of the lease.

On October 3, 2019, the Church Property Ground Lease was amended to update the term of the lease to 99 years expiring on March 17, 2109. On November 25, 2019, as part of the sale of the land and building covered by the Church Property Ground Lease from the Church of Our Lady of Loreto to Mary's Hall, Mary's Hall assumed all rights and interests as the lessor of the Church Property Ground Lease. Further, on December 18, 2019, CCPOP Development assigned its rights, title, and obligation to the lease to Loreto II HDFC and Loreto II LLC, under the same terms and conditions, in exchange for $157,000 paid by Loreto II LLC to CCPOP Development as part of Loreto II LLC's bond closing.

On November 25, 2019, as part of the sale of the land and building covered by the Project Ground Lease from the Church of Our Lady of Loreto to Mary's Hall, Mary's Hall assumed all rights and interests as the lessor of the Project Ground Lease. The term of the lease remains in effect for the original 53-year period. CCPOP Development concurrently subleases the land under the Project Ground Lease to OL Loreto HDFC and Loreto Preservation LLC under the same terms and conditions. This transaction is eliminated in consolidation.

Lease with Howard Beach Apartments, LLC

The Organization entered into a master lease agreement on December 19, 2011 with Howard Beach Apartments, LLC for space located in Howard Beach, New York, to be used for a community facility space. The term of the lease is for 30 years, beginning on the Commencement Date, as defined in the individual agreements. CCPOP Development is required to make annual rent payments of $20,000, adjusted annually based on the lesser of the consumer price index percentage, as defined in the individual agreements, and 3%, and an additional amount of not less than $25,000 for the cost of utilities. The estimated fair market value of the rent for this space is $207,570 and the difference is presented as part of the in-kind contribution and expense. This transaction is eliminated in consolidation.

The Organization concurrently subleases the space under a sublease agreement to Catholic Charities Neighborhood Services. The lease, which was renewed on August 1, 2021 for a three-year term, requires an annual rent payment of $60,897, with an annual increase of 3%, and an additional payment of $25,948 for the cost of utilities. Rental income of $88,519 is included on the accompanying consolidated statement of activities. The estimated fair market value of the rent for this space is $207,570 and the difference is presented as part of the in-kind contribution and expense, included in contributed goods, services, and rent, and general and administrative expenses, respectively, on the accompanying consolidated statement of activities.

Litigation

The Organization's entities are defendants in various legal actions arising out of the normal course of their operations. Although the final outcome of such actions cannot currently be determined, the Organization believes that eventual liability, if any, will not have a material effect on the Organization's consolidated financial position.

Federal, State, and City Funding

The Organization participates in various state and city programs for the benefit of clients with mental health issues. These programs have strict requirements for participation and, accordingly, the Organization is subject to government program reviews covering compliance with laws and regulations.

The expenses of programs that have been reimbursed pursuant to state and city government contracts and grants are subject to audit by the respective granting agencies.

12. Current Vulnerability Due to Certain Concentrations

POP Management's and the Housing Affiliates' operations are concentrated in the multifamily real estate market. In addition, they operate in a heavily regulated environment. The operations of the multifamily real estate projects are subject to the administrative directives, rules, and regulations of federal agencies, including, but not limited to, HUD and the IRS. Such administrative directives, rules, and regulations are subject to change by an Act of Congress, or an administrative change mandated by HUD or the IRS. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with the change. For the 2023 fiscal year, the Organization did not have any regulation changes that impacted its operations.

13. Long-Term Debt

Aggregate annual maturities of long-term debt over each of the next five years and thereafter are as follows:

Year ending June 30,	
2024	$ 45,221,841
2025	6,453,320
2026	5,990,235
2027	6,269,954
2028	7,674,874
Thereafter	261,196,449
Total	332,806,673
Less:	
Current portion	(45,221,841)
Unamortized debt issuance costs	(5,515,924)
Total Long-Term Portion	$ 282,068,908

Catholic Charities

Catholic Charities has a line of credit with TD Bank for $10,000,000. The current interest rate at June 30, 2023 is 5.00%, which is tied to the prime interest rate. Catholic Charities had $3,900,000 outstanding under the line of credit as of June 30, 2023. Catholic Charities is required to have a minimum aggregate deposit balance of $10,000,000 between Catholic Charities and CCNS at the issuing institution. The line of credit has a maturity date of March 2023.

Saints Joachim and Anne Nursing and Rehabilitation Center

On April 30, 2015, the Center entered into a $17,546,600 mortgage loan agreement with a financial institution through an HUD program. The HUD mortgage has a maturity date of April 1, 2028, bears interest at a rate of 3.23%, and is secured by the Center's facility. During the year ended June 30, 2023, the Center incurred interest of $264,702, including amortization of debt issuance costs of $34,428. Debt issuance costs, net of accumulated amortization, totaled $166,393 as of June 30, 2023.

The mortgage is subject to certain financial and reporting covenants that the Center is required to satisfy on a recurring basis. The Center's management believes it has complied with the covenants. The balance due as of June 30, 2023 amounted to $7,456,185.

Progress of Peoples Development Corporation

In October 2003, POP Development entered into an unsecured, noninterest-bearing loan agreement with Green Point Bank, which was subsequently acquired by Capital One Bank, under the Federal Home Loan Bank Act's Affordable Housing Program in the amount of $183,616, in order to subsidize 715 St. John's Place Limited Partnership, an affordable housing entity. As of June 30, 2023, the entire original principal balance is outstanding. This advance will be considered to be repaid in full in September 2033 as long as the affordable housing project remains available for persons of low income.

In January 2004, POP Development entered into an unsecured, noninterest-bearing loan agreement with Green Point Bank, which was subsequently acquired by Capital One Bank, under the Federal Home Loan Bank Act's Affordable Housing Program in the amount of $536,424, in order to subsidize Caring Communities Associates Housing Development Fund Corporation, Inc. (CCAH), an affordable housing entity. As of June 30, 2023, the entire original principal balance is outstanding. This advance will be considered to be repaid in full in July 2021, at the end of a period of 15 years from the completion of funded work, as long as the affordable housing project remains available for persons of low income.

In July 2009, POP Development entered into an unsecured, noninterest-bearing loan agreement with New York Community Bank, under the Federal Home Loan Bank Act's Affordable Housing Program in the amount of $735,200, in order to subsidize Caring Community Homes Association. As of June 30, 2023, the entire original principal balance is outstanding. This advance will be considered to be repaid in full in July 2024 as long as the affordable housing project remains available for persons of low income.

In December 2011, POP Development entered into a secured, noninterest-bearing loan agreement with New York Community Bank, under the Federal Home Loan Bank Act's Affordable Housing Program in the amount of $1,380,083, in order to subsidize Howard Beach Apartments, LLC, an affordable housing entity. As of June 30, 2023, the entire original principal balance is outstanding. This advance will be considered to be repaid in full on the 15th anniversary of the issuance of the project's certificate of occupancy, as long as the affordable housing project remains available for persons of low income.

For-Profit and Not-for-Profit Affiliates

The For-Profit and Not-for-Profit Housing Affiliates have several mortgages payable to various lending institutions and/or local housing. These notes bear interest at rates ranging from noninterest-bearing to 9.25%, have monthly payments ranging from $8,140 to $146,938, and mature at various dates from December 2020 to December 2051. Many of the notes are insured under various Federal Housing Administration (FHA) sections of the National Housing Act. As of June 30, 2023, $141,126,354 remained outstanding.

Capital advance notes are discharged and deemed paid on the maturity date provided that the project remained available for occupancy by eligible families until the maturity date and the note does not otherwise become due and payable by reason of default under the note, the mortgage, or the Regulatory Agreement. In the event of default, at the option of the lender, the entire principal and interest shall be payable on demand. As of June 30, 2023, $84,421,761 remained outstanding.

On October 31, 2019, Catherine Sheridan HDFC entered into a mortgage note agreement with an outside lender to borrow $54,965,400. The mortgage is approved by HUD. The mortgage note is insured by the FHA and is collateralized by a deed of trust on the rental property. The note bears interest at the rate of 2.99% per annum. Principal and interest are payable by the Organization in monthly installments of $211,228 through maturity on November 1, 2054. Debt issuance costs, net of accumulated amortization, totaled $426,947 as of June 30, 2023 and are related to the first mortgage. Debt issuance costs on the above note are being amortized using an imputed rate of 2.99%. As of June 30, 2023, $51,598,743 remained outstanding.

The liability of the For-Profit and Not-for-Profit Housing Affiliates under these mortgage notes is limited to the underlying value of the real estate collateral, assignment of rents and leases, and other amounts deposited with the lenders.

Under various agreements with the mortgage lender, the housing affiliates and limited partnerships are required to make monthly escrow deposits for taxes, insurance, and replacement of project assets, and are subject to restrictions as to operating policies, rental charges, operating expenditures, and distributions to partners.

On November 1, 2021, 101-105 South 8th Street HDFC; 176 South 8th Street HDFC; and 72 Lewis Avenue Apartments HDFC received a temporary waiver from default of the loan from the New York City Department of Housing Preservation and Development (NYCHPD). NYCHPD is in the process of renewing the loan to another 30-year anniversary and intends to provide annual waivers, if necessary, from default until the renewal process is completed. As of the date of this report, NYCHPD has determined that a waiver is not necessary since the renewal is in process. In the event that NYCHPD demands full repayment of the debt, CCPOP Development will provide financial support to comply with the obligations.

The mortgages are collateralized by the underlying value of the rental real estate, plus amounts on deposit and an assignment of rents.

14. Housing Assistance Payment Contract Agreements

FHA has contracted with various For-Profit Housing Affiliates, and various Not-for-Profit Housing Affiliates have entered into a project rental assistance contract with the HUD to make housing assistance payments to the projects on behalf of the qualified tenants. The expiration dates of the agreements range from September 2020 through December 2038.

In January 2001, HUD issued the Guidebook for Section 8 Renewal Policy (the Guidebook), which provides guidance for the renewal of expiring Section 8 project-based contracts. The Guidebook is a comprehensive resource for all renewals and is updated periodically to reflect program and legislative changes.

The Guidebook sets forth six options for renewing Section 8 contracts. They consist of requesting renewal under the mark-up-to-market procedures, renewing contracts with current rents at or below comparable market rents but not being renewed using the mark-up-to-market option, referring projects to the Office of Assisted Housing Preservation (OAHP) for processing and renewal when the contract has rents greater than market rents, renewing contracts for projects exempted from OAHP, renewing contracts for portfolio reengineering demonstration or preservation projects, and opting out of the Section 8 program. Owners are limited to selecting options based upon eligibility at the expiration of the Section 8 contract. Owners must submit renewal requests and required documentation to HUD at least 120 days before contract expiration.

Contracts may be renewed for one to 20 years, but multiple-year contracts are funded for one year with the balance of the contract subject to annual appropriations. Subsequent renewals of contracts may be made under any option the contract is eligible for at the time of renewal.

For contracts that expire in the next 12 months, management plans to apply for renewal.

15. Program Liabilities

CCNS has recorded an overhead reserve of $1,292,529, which relates to underspending of the approved overhead reimbursement rate, and other miscellaneous liabilities from various funding sources have been recorded in the amount of $805,984.

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16. Liquidity and Availability

The Organization's resources and financial assets available within one year for general expenditures were as follows:

June 30, 2023	
Financial assets at year-end:	
Cash and cash equivalents	$ 37,210,540
Accounts receivable, net	23,402,584
Miscellaneous current assets	169,897
Investments	87,469,283
Total Financial Assets	148,252,304
Less: amounts not available to be used within one year:	
Net assets with donor restrictions	(15,001,981)
Financial Assets Available to Meet General Expenditures Within One Year	$ 133,250,323

The Organization receives contributions restricted by donors and considers contributions restricted for programs that are ongoing and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves by operating within a prudent range of financial soundness and stability. Additionally, to help manage unanticipated liquidity issues, the Organization has a line of credit in the amount of $10 million. At June 30, 2023, $6,100,000 of the line of credit was available to draw upon.

17. Conditional Grants

The Organization has grant agreements with several donors that consist of providing conditional funding in future years, amounting to approximately $143,893,000 at June 30, 2023. A corresponding grant receivable has not been recorded on the consolidated statement of financial position, as the conditional grants are contingent upon incurring qualifying expenditures and fulfilling milestones. Conditional promises to give are recognized when the conditions upon which they depend are substantially met. Until that point, any amounts that are received are recorded as refundable advances. Refundable advances of $5,525,807 have been included as program advances on the consolidated statement of financial position at June 30, 2023.

18. Sale of the Center

On February 28, 2020, the Organization entered into an agreement to sell the Center to a third party. The sale includes all operations of the Center. The expected completion date of the sale is unknown.

19. Gain on Sale of Building

During the year ended June 30, 2023, the Organization sold the building under the Foundation to an unrelated party. The gain on the sale totaling $4,750,000 has been included in other revenue and gains, net, on the consolidated statement of activities.

20. Subsequent Events

Management has performed subsequent events procedures through December 6, 2023, which is the date that the consolidated financial statements were available to be issued. There were no subsequent events that required adjustment to the consolidated financial statements or disclosures as stated herein.