CATHOLIC
CHARITIES
WORCESTER COUNTY

CATHOLIC CHARITIES OF THE DIOCESE OF WORCESTER

FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

CATHOLIC CHARITIES OF THE DIOCESE OF WORCESTER

Contents
June 30, 2025 and 2024

AAFCPAs
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Independent Auditor's Report

To the Board of Directors of
Catholic Charities of the Diocese of Worcester:

Opinion

We have audited the financial statements of Catholic Charities of the Diocese of Worcester (a Massachusetts corporation, not for profit) (Catholic Charities), which comprise the statements of financial position as of June 30, 2025 and 2024, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Catholic Charities of the Diocese of Worcester as of June 30, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Catholic Charities' internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Catholic Charities' 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.

AAFCPAs, Inc.

Boston, Massachusetts
February 2, 2026

CATHOLIC CHARITIES OF THE DIOCESE OF WORCESTER

Statements of Financial Position
June 30, 2025 and 2024

	2025			2024		
Assets	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Current Assets:						
Cash and cash equivalents	$ 626,079	$ 216,475	$ 842,554	$ 1,718,251	$ 180,407	$ 1,898,658
Program services receivable, net of allowance for credit losses and doubtful accounts of $310,756 and $156,875 as of June 30, 2025 and 2024, respectively	1,517,283	-	1,517,283	887,657	-	887,657
Grants receivable	308,861	89,552	398,413	370,528	-	370,528
Prepaid expenses	148,271	-	148,271	82,599	-	82,599
Total current assets	2,600,494	306,027	2,906,521	3,059,035	180,407	3,239,442
Investments	3,144,012	2,675,253	5,819,265	6,281,232	2,675,253	8,956,485
Certificate of deposit	70,644	-	70,644	70,326	-	70,326
Right-of-Use Assets - Finance	123,448	-	123,448	67,038	-	67,038
Right-of-Use Assets - Operating	4,400,426	-	4,400,426	4,464,794	-	4,464,794
Property and Equipment, net	8,858,434	-	8,858,434	3,223,946	-	3,223,946
Construction in Process	-	-	-	1,287,628	-	1,287,628
Total assets	$ 19,197,458	$ 2,981,280	$ 22,178,738	$ 18,453,999	$ 2,855,660	$ 21,309,659
Liabilities and Net Assets						
Current liabilities:						
Line of credit	$ -	$ -	$ -	$ 750,000	$ -	$ 750,000
Note payable	2,967,609	-	2,967,609	77,985	-	77,985
Current portion of finance lease liabilities	53,067	-	53,067	38,716	-	38,716
Current portion of operating lease liabilities	363,613	-	363,613	342,495	-	342,495
Accounts payable and accrued expenses	1,584,354	-	1,584,354	2,095,042	-	2,095,042
Conditional grant advance	6,760	-	6,760	140,000	-	140,000
Total current liabilities	4,975,403	-	4,975,403	3,444,238	-	3,444,238
Long-Term Liabilities:						
Finance lease liabilities, net of current portion	72,852	-	72,852	30,644	-	30,644
Operating lease liabilities, net of current portion	4,498,906	-	4,498,906	4,469,360	-	4,469,360
Total long-term liabilities	4,571,758	-	4,571,758	4,500,004	-	4,500,004
Total liabilities	9,547,161	-	9,547,161	7,944,242	-	7,944,242
Net Assets:						
Without donor restrictions	9,650,297	-	9,650,297	10,509,757	-	10,509,757
With donor restrictions	-	2,981,280	2,981,280	-	2,855,660	2,855,660
Total net assets	9,650,297	2,981,280	12,631,577	10,509,757	2,855,660	13,365,417
Total liabilities and net assets	$ 19,197,458	$ 2,981,280	$ 22,178,738	$ 18,453,999	$ 2,855,660	$ 21,309,659

The accompanying notes are an integral part of these statements.

CATHOLIC CHARITIES OF THE DIOCESE OF WORCESTER

Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2025 and 2024

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues:						
Program service revenue	$ 8,944,112	$ -	$ 8,944,112	$ 8,581,648	$ -	$ 8,581,648
Grants and contributions	4,185,232	145,646	4,330,878	3,965,574	180,407	4,145,981
In-kind revenue	1,825,339	-	1,825,339	2,111,238	-	2,111,238
Other revenue	67,332	-	67,332	88,726	-	88,726
Net assets released from program restrictions	20,026	(20,026)	-	218,465	(218,465)	-
Total operating revenues	15,042,041	125,620	15,167,661	14,965,651	(38,058)	14,927,593
Operating Expenses:						
Program	14,464,966	-	14,464,966	14,569,554	-	14,569,554
Management and general	2,689,735	-	2,689,735	1,886,312	-	1,886,312
Fundraising	242,789	-	242,789	82,755	-	82,755
Total operating expenses	17,397,490	-	17,397,490	16,538,621	-	16,538,621
Changes in net assets from operations	(2,355,449)	125,620	(2,229,829)	(1,572,970)	(38,058)	(1,611,028)
Non-Operating Revenue:						
Investment return, net	501,346	319,934	821,280	638,550	289,003	927,553
Capital grants	674,709	-	674,709	-	-	-
Endowment appropriation for capital expenditures	319,934	(319,934)	-	580,667	(580,667)	-
Total non-operating revenue	1,495,989	-	1,495,989	1,219,217	(291,664)	927,553
Changes in net assets	(859,460)	125,620	(733,840)	(353,753)	(329,722)	(683,475)
Net Assets:						
Beginning of year	10,509,757	2,855,660	13,365,417	10,863,510	3,185,382	14,048,892
End of year	$ 9,650,297	$ 2,981,280	$ 12,631,577	$ 10,509,757	$ 2,855,660	$ 13,365,417

The accompanying notes are an integral part of these statements.

CATHOLIC CHARITIES OF THE DIOCESE OF WORCESTER

Statements of Cash Flows
For the Years Ended June 30, 2025 and 2024

	2025	2024
Cash Flows from Operating Activities:		
Changes in net assets	$ (733,840)	$ (683,475)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Investment return, net	(821,280)	(927,553)
Depreciation	323,185	230,744
Amortization of debt issuance costs	-	8,748
Non-cash lease expense	115,181	126,117
Construction in process written off	-	179,909
Capital grants	(674,709)	-
Changes in operating assets and liabilities:		
Program services receivable	(629,626)	(61,887)
Grants receivable	(28,203)	(110,698)
Prepaid expenses	(65,672)	33,747
Accounts payable and accrued expenses	389,017	231,814
Conditional grant advance	(133,240)	140,000
Net cash used in operating activities	(2,259,187)	(832,534)
Cash Flows from Investing Activities:		
Proceeds from sale of investments	6,761,469	2,049,046
Purchase of investments	(2,802,969)	(1,086,657)
Purchase of property and equipment	(4,670,045)	(204,000)
Cash paid for construction in process	(899,705)	(278,242)
Net cash provided by (used in) investing activities	(1,611,250)	480,147
Cash Flows from Financing Activities:		
Capital grants	674,709	-
Proceeds from note payable	2,889,624	750,000
Principal payments on line of credit	(750,000)	(513)
Net cash provided by financing activities	2,814,333	749,487
Net Change in Cash and Cash Equivalents	(1,056,104)	397,100
Cash and Cash Equivalents:		
Beginning of year	1,898,658	1,501,558
End of year	$ 842,554	$ 1,898,658
Supplemental Disclosure of Cash and Non-Cash Investing Activities:		
Construction in process placed in service	$ 1,287,628	$ 92,000
Construction in process financed by accounts payable	$ -	$ 899,705
Interest income accrued and reinvested in certificate deposit	$ 318	$ 522
Cash paid for interest	$ 165,213	$ 26,392

The accompanying notes are an integral part of these statements.

CATHOLIC CHARITIES OF THE DIOCESE OF WORCESTER

Statements of Functional Expenses
For the Years Ended June 30, 2025 and 2024

	2025				2024			
	Program	Management and General	Fundraising	Total Expenses	Program	Management and General	Fundraising	Total Expenses
Expenses:								
Salaries and related:								
Salaries and wages	$ 7,699,436	$ 877,651	$ 108,286	$ 8,685,373	$ 7,392,772	$ 523,062	$ -	$ 7,915,834
Employee benefits	703,630	101,118	7,920	812,668	517,245	168,334	-	685,579
Payroll taxes and other related costs	587,726	62,273	7,647	657,646	552,526	16,712	-	569,238
Client wages and taxes	630,537	-	-	630,537	1,039,525	-	-	1,039,525
Total salaries and related	9,621,329	1,041,042	123,853	10,786,224	9,502,068	708,108	-	10,210,176
Other:								
In-kind	1,642,805	182,534	-	1,825,339	1,895,207	216,031	-	2,111,238
Occupancy	1,381,877	31,828	10,760	1,424,465	1,407,779	28,787	-	1,436,566
Professional services and consultants	246,136	652,279	11,575	909,990	283,101	532,532	-	815,633
Direct client assistance	663,922	757	74,547	739,226	579,108	1,002	76,220	656,330
Office	225,609	292,045	4,110	521,764	308,291	183,328	394	492,013
Depreciation	248,852	74,333	-	323,185	178,056	52,688	-	230,744
Travel	190,952	37,044	874	228,870	171,230	63,418	-	234,648
Advertising	28,927	145,538	12,789	187,254	12,402	22,192	3,426	38,020
Interest	22,629	142,481	191	165,301	3,613	22,749	30	26,392
Supplies	151,938	1,751	1,558	155,247	165,271	234	1,976	167,481
Meetings and conferences	30,698	30,753	1,752	63,203	17,631	32,937	550	51,118
Licenses and fees	8,102	51,014	68	59,184	27,371	8,970	27	36,368
Miscellaneous	-	6,336	-	6,336	187	11,905	-	12,092
Postage	1,190	-	712	1,902	18,239	1,431	132	19,802
Total other	4,843,637	1,648,693	118,936	6,611,266	5,067,486	1,178,204	82,755	6,328,445
Total expenses	$ 14,464,966	$ 2,689,735	$ 242,789	$ 17,397,490	$ 14,569,554	$ 1,886,312	$ 82,755	$ 16,538,621

1. OPERATIONS AND NONPROFIT STATUS

Catholic Charities of the Diocese of Worcester (Catholic Charities) was founded on November 30, 1951. Catholic Charities was established by the first Bishop of Worcester, Bishop John J. Wright, with the aim of creating a network of care to support the poor, homeless, and infirm across Worcester County.

Catholic Charities is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). Catholic Charities is also exempt from state income taxes. Donors may deduct contributions made to Catholic Charities within the IRC requirements.

The specific program services rendered by Catholic Charities are as follows:

Services to People Challenged by Developmental Disabilities:

Mercy Centre Job Training and Employment Services supports and trains adults with developmental disabilities to accomplish meaningful work in society and helps them find such employment.

Mercy Centre Community Based Adult Day Services provides support and opportunities for adults with developmental disabilities to enrich their lives and enjoy a full range of community activities while developing a network of caring relationships.

Mercy Centre Day Habilitation Program provides adults with intellectual disabilities or another developmental disability with day habilitation services, integrated activities and therapies necessary to reach stated goals and objectives.

Services Through Outreach to Parishes and Communities:

Literacy Services include English as a second language (ESL) classes to adults, the homeless, and education for citizenship training.

Crozier House for Men Recovering from Substance Abuse is a residential program for substance abusing men.

Refugee Services include resettlement services for refugees and immigrants, case management for refugees, and citizenship examination.

Bishop’s Thanksgiving and Christmas Dinners provide home delivered meals to the homebound, and a congregate meal to those in search of fellowship on both holidays.

Community Services Programs are provided by Area Offices in South Worcester County, North Worcester County, Greater Milford/Blackstone Valley, and Worcester. They include education programs to help people overcome poverty and homelessness, provide Thanksgiving and Christmas dinners to homebound and a congregate meal for those in search of fellowship on both holidays, emergency assistance, information, referral and advocacy.

Services to Frail and Vulnerable Elders:

Home Care provides Homemakers, Personal Care Attendants, Chore Workers, Home Health Aides, and Companions to help the elderly and disabled people to remain in their homes.

Senior Aide Employment provides employment training opportunities for older workers.

1. OPERATIONS AND NONPROFIT STATUS (Continued)

Services to Families and Children:

Adoption Information and Referral Services include adoption history services and adoption search which continues to operate as part of management and general.

Parent Aide and Education, including a Family Resource Center in the Southbridge Office is operated out of the Mercy Centre.

Youville House Emergency Shelter for Families provides temporary housing for homeless families along with many other services to help them find and maintain permanent housing.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Catholic Charities prepares its financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Estimates

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

Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by Catholic Charities. In addition, net assets without donor restrictions include Board designated funds, which represent unrestricted resources designated by the Board for specific capital purposes. Total Board designated funds as of June 30, 2025 and 2024, were $905,530. Net assets without donor restrictions also include $(872,398) and $(78,333) of underwater endowments as of June 30, 2025 and 2024, respectively (see pages 11 and 12).

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of contributions and grants subject to donor-imposed stipulations. These stipulations may require that the assets be held in perpetuity or specify conditions that must be met by Catholic Charities, such as certain actions or the passage of time. Additionally, in accordance with Massachusetts law, these net assets include cumulative appreciation, reinvested gains, and investment income on endowment funds restricted in perpetuity. Such funds are subject to prudent appropriation for their intended purpose by the Board of Directors, in compliance with Massachusetts law. Catholic Charities follows a policy of appropriating the total investment return of the endowment annually. During 2025 and 2024, no investment return was appropriated to operations. During 2025 and 2024, investment return was designated for capital expenditures (see page 8).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

Net Assets With Donor Restrictions (Continued)

Net assets with donor restrictions are restricted for the following purposes at June 30:

	2025	2024
Corpus of donor restricted endowment funds held in perpetuity:		
Forward in Faith	$ 2,500,000	$ 2,500,000
Krasnecky Fund	64,829	64,829
Marshall Fund	50,900	50,900
Foley Fund	39,024	39,024
Elizabeth and Richard Flynn Fund	20,500	20,500
Total endowment fund corpus	2,675,253	2,675,253
Appreciation on endowment funds held in perpetuity	319,934	580,667
Investment return designated for capital expenditures	(319,934)	(580,667)
Total endowment fund	2,675,253	2,675,253
Purpose restrictions - program	306,027	180,407
Total net assets with donor restrictions	$ 2,981,280	$ 2,855,660

Fair Value Measurements

Catholic Charities follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that Catholic Charities would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

Catholic Charities uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of Catholic Charities. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date. Instruments which are generally included in this category include equity and debt securities publicly traded on an exchange.

Level 2: Inputs other than quoted prices in active markets that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3: Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

Cash and Cash Equivalents

Cash and cash equivalents are considered Level 1 in the fair value hierarchy.

Investments

Investments are recorded in the financial statements at fair value. If an investment is directly held by Catholic Charities and an active market with quoted prices exists, the market price of an identical security is used to report fair value. Funds valued using Level 2 inputs include corporate and municipal bonds that are available for sale, which are valued using quoted prices for similar assets in active markets.

All Other Assets and Liabilities

The carrying value of all other qualifying assets and liabilities does not differ materially from its estimated fair value and is considered Level 1 in the fair value hierarchy.

Cash and Cash Equivalents

Catholic Charities defines cash equivalents to include short-term investments in liquid securities with an initial maturity of ninety days or less when purchased. For the purpose of presenting the statements of cash flows, cash includes checking and money market accounts.

Certificate of Deposit

Catholic Charities holds a certificate of deposit for the purpose of diversifying its cash balances with a bank. The maturity date is October 2026 and the certificate of deposit earns interest at 0.75% per annum as of June 30, 2025 and 2024.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Program Services Receivable and Allowance for Credit Losses

Included in program services receivable are patient service and individual receivables. Program services receivable are stated at the amount of consideration to which Catholic Charities expects to be entitled in exchange for providing patient care. Catholic Charities records any implicit price concessions based upon management's experience and other circumstances which may affect the ability of patients or third-party payors to meet their obligations. Any estimated uncollectible amounts are generally considered implicit price concessions, which directly reduce program services receivable. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as credit losses. Catholic Charities recognizes an allowance for expected credit losses on accounts receivable in an amount equal to the current expected credit losses. The credit loss is based on an analysis of historical loss experience, current conditions, and reasonable and supportable expectation of future conditions. Program services receivable balances are charged off against the allowance when it is probable the receivable will not be recovered. The balance of program services receivable was $825,770 as of July 1, 2023.

Grants Receivable

Grants receivable are recorded at their net present value when unconditionally committed or at the invoiced contract amounts. Account balances are charged off against an allowance when it is probable that the receivables will not be recovered. There was no allowance for doubtful grants receivable as of June 30, 2025 and 2024.

Right-of-Use Assets and Lease Obligations

Catholic Charities determines if an arrangement is a lease or contains a lease at inception of a contract. A contract is determined to be a lease or contain a lease if the contract conveys the right to control the use of an identified asset in exchange for consideration. Catholic Charities determines such assets are leased because Catholic Charities has the right to obtain substantially all of the economic benefits from and the right to direct the use of the identified asset. Catholic Charities lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Leases result in the recognition of right-of-use (ROU) assets and lease liabilities on the statements of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis.

Catholic Charities determines lease classification as operating or finance at the lease commencement date. At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. Catholic Charities uses the implicit rate when readily determinable. As most of the leases do not provide an implicit rate, Catholic Charities uses incremental borrowing rates for its facility leases and the risk-free rate for its vehicle and equipment leases based on the information available at the commencement date to determine the present value of lease payments.

The lease term may include options to extend or to terminate the lease that Catholic Charities is reasonably certain to exercise. Lease expense for operating leases is generally recognized on a straight-line basis over the lease term.

Catholic Charities has elected not to record leases with an initial term of twelve months or less on the statements of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interpretation of Relevant Law and Spending Policy

The Board of Directors of Catholic Charities has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) requiring the preservation of the original value of the gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Catholic Charities classifies as net assets with donor restrictions to be held in perpetuity (a) the original value of gifts donated to the endowment, (b) the original gift value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions to be held in perpetuity is classified as donor restricted net assets (purpose restricted) until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

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

Catholic Charities has a formal spending policy in which it can allocate to operations up to 5% of the average investment portfolio's market value, excluding specific amounts with donor restrictions, using a rolling quarterly average for the preceding three years ending June 30. Catholic Charities has not appropriated any accumulated appreciation for operations during the years ended June 30, 2025 and 2024.

During fiscal years 2025 and 2024, the Board of Directors approved appropriations for capital purposes of $1,114,000 and $659,000, respectively. Of these amounts, $319,934 and $580,667 were drawn from accumulated appreciation on endowment net assets included in with donor restricted net assets as of and for the years ended June 30, 2025 and 2024, respectively. The remaining amount of $872,398 and $78,333 was recorded as a reduction of without donor restricted net assets as of June 30, 2025 and 2024, respectively (see page 7).

Interest and dividends earned on all investments are recorded as operating income in the period in which they are earned. Appreciation (depreciation) on investments without donor restrictions are reported as increase (decrease) in non-operating income within net assets without donor restrictions. Appreciation (depreciation) on investments to be held in perpetuity are reported as increases (decreases) within net assets with donor restrictions. These amounts remain in the investment balances until appropriated under the spending policy by the Board and expended.

Investments, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and Investment Income

Investments are recorded in the statements of financial position at fair value. If a security is directly held by Catholic Charities and an active market with quoted prices exists, the market price of an identical security is used to report fair value. Reported fair values of shares in mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year.

Underwater Endowment

From time to time, the fair value of assets associated with individual endowment funds may fall below the level required that Catholic Charities to retain as a fund of perpetual duration and have appropriations suspended. Certain endowment funds were underwater in the amount of $872,398 and $78,333 as of June 30, 2025 and 2024, respectively. This deficiency resulted from board approved appropriations for certain capital improvements. The deficiency is included in without donor restricted net assets on the accompanying statements of financial position as of June 30, 2025 and 2024.

Property and Equipment and Depreciation

Property and equipment are recorded at cost, if purchased, or at fair value at the date of receipt, if donated. Renewals and betterments over $2,500 are capitalized, while expenditures for maintenance and repairs are charged to operations as incurred.

Buildings	39 Years
Building and leasehold improvements	20 years
Land improvements	20 years
Furniture and equipment	3 - 7 years
Vehicles	5 years

Expense Allocation

Expenses related directly to a program or function are allocated to that program or function, while other expenses are allocated based upon management's estimate of the percentage attributable to each program or function. Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are personnel and related costs, which are allocated on the basis of estimates of time and effort; and occupancy and depreciation, which are allocated on a square footage basis.

Revenue Recognition

Program Service Revenue

Catholic Charities generally measures revenue for qualifying exchange transactions based on the amount of consideration Catholic Charities expects to be entitled for the transfer of goods or services to a patient or client, then recognizes this revenue when or as Catholic Charities satisfies its performance obligations under a contract, except in transactions where U.S. GAAP provides other applicable guidance. Catholic Charities evaluates its revenue contracts with customers based on the five-step model under ASC Topic 606, *Revenue from Contracts with Customers*: (1) Identify the contract with the customer; (2) Identify the performance obligations in the contract; (3) Determine the transaction price; (4) Allocate the transaction price to separate performance obligations; and (5) Recognize revenue when (or as) each performance obligation is satisfied.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Program Service Revenue (Continued)

Revenue is recognized when promised goods or services are transferred to the customer in an amount that reflects the consideration expected in exchange for those services.

Program service revenue is reported at the amount that reflects the consideration to which Catholic Charities expects to be entitled in exchange for providing patient care and other counseling services. These amounts are due from individuals, third-party payors (including health insurers and government payors), and others and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, Catholic Charities bills the patients and third-party payors several days after the services are performed. Revenue is recognized as Catholic Charities satisfies performance obligations under its contracts with patients.

Performance obligations are determined based on the nature of the services provided by Catholic Charities and consists of outpatient behavioral health and other specialty services. Outpatient services are generally provided at a point in time (date of service) and revenue for performance obligations satisfied at a point in time is generally recognized when services are provided to patients and Catholic Charities does not believe it is required to provide additional goods or services related to that date of service.

Catholic Charities determines the transaction price based on standard charges for goods and services provided (fee schedule), reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with Catholic Charities' sliding fee policy, or implicit price concessions provided to uninsured patients. Catholic Charities determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience.

Catholic Charities has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected primarily by differences among payors (for example, Medicare, MassHealth or commercial insurances) have different reimbursement payment and adjudication methodologies.

Agreements with third-party payors provide for payments at amounts less than established charges. A summary of the payment arrangements with significant third-party payors for various types of program service fees is as follows:

- **Medicaid (MassHealth) -** Reimbursements for MassHealth services are generally paid at prospectively determined rates per occasion of service, or per covered member.

- **Commercial Insurance and Other -** Payment agreements with certain commercial insurance carriers, health maintenance organizations, and private organizations which provide for payments using prospectively determined rates and discounts from established charges.

Any provider of third-party services, including Catholic Charities, could be subject to audits by various government sources, MassHealth, Medicare, and commercial insurers. There is no reason to believe that any such audit might lead to adjustments to revenue of any material impact.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Grants and Contributions

In accordance with ASC Subtopic 958-605, *Revenue Recognition (Topic 958),* Catholic Charities must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include a measurable performance-related barrier or other measurable barriers, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that Catholic Charities should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met.

Catholic Charities receives grants from various Federal and Massachusetts state agencies and are shown as grants and contributions in the accompanying statements of activities and changes in net assets. Amounts received under contracts with various Federal and Massachusetts state agencies have been recorded in accordance with Topic 958. These grants are considered non-reciprocal transactions because the general public receives the benefit of the assets transferred. These conditional contributions are recognized as services are provided or as qualifying costs are incurred.

Grants and contributions are recorded as services are provided and costs are incurred. Grants and contributions with donor restrictions are recorded as revenues and net assets with donor restrictions when unconditionally received or pledged. Transfers are made to net assets without donor restrictions as costs are incurred or time restrictions or program restrictions have lapsed. Grants without donor restrictions are recorded as revenue when received or unconditionally pledged.

All other revenue is recorded when earned.

In-Kind Goods and Services

Catholic Charities recognizes the estimated fair value of contributed goods and services as revenue without donor restrictions and corresponding expenses when the following criteria are met:

- The services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not contributed.
- The fair value of donated goods, such as food, is determined based on market value.
- The fair value of space that is occupied rent-free or at a rate that is below market value is also recognized as an in-kind contribution.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-Kind Goods and Services (Continued)

Catholic Charities recognized in-kind revenue and expense for the following for the years ended June 30:

	2025	2024
Food donations	$ 1,435,987	$ 1,569,437
Donated rent (see Note 9)	316,081	316,081
Donated services	73,271	225,720
	$ 1,825,339	$ 2,111,238

Advertising

Catholic Charities policy is to expense advertising costs as incurred.

Income Taxes

Catholic Charities accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. Catholic Charities has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at June 30, 2025 and 2024. Catholic Charities' information returns are subject to examination by the Federal and state jurisdictions.

Subsequent Events

Subsequent events have been evaluated through February 2, 2025, which is the date the financial statements were available to be issued. See Note 4 for an event that met the criteria for disclosure to the financial statements.

Statements of Activities and Changes in Net Assets

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating revenues and expenses in the accompanying statements of activities and changes in net assets. Non-operating revenue included transactions of a long-term investment nature, including endowment appropriation and non-endowment investment returns and capital grants.

3. INVESTMENTS

A description of the valuation methodologies used for assets measured at fair value is included in Note 2. The following tables set forth, by level within the fair value hierarchy, Catholic Charities' investments at fair value as of June 30:

	2025			
	Level 1	**Level 2**	**Level 3**	**Total**
Equity mutual funds	$ 3,380,479	$ -	$ -	$ 3,380,479
U.S. Treasuries	906,113	-	-	906,113
Bond mutual funds	370,120	-	-	370,120
Money market fund	85,520	-	-	85,520
U.S. savings bonds	1,839	-	-	1,839
Corporate bonds	-	692,000	-	692,000
Municipal bonds	-	383,194	-	383,194
Total	$ 4,744,071	$ 1,075,194	$ -	$ 5,819,265

	2024			
	Level 1	**Level 2**	**Level 3**	**Total**
Equity mutual funds	$ 5,204,908	$ -	$ -	$ 5,204,908
U.S. Treasuries	1,410,431	-	-	1,410,431
Bond mutual funds	428,756	-	-	428,756
Money market fund	64,806	-	-	64,806
U.S. savings bonds	1,778	-	-	1,778
Corporate bonds	-	1,212,231	-	1,212,231
Municipal bonds	-	633,575	-	633,575
Total	$ 7,110,679	$ 1,845,806	$ -	$ 8,956,485

Investments are classified as noncurrent assets in the accompanying statements of financial position based on management's intent to hold the investments for long-term growth, regardless of maturity or liquidity. Investments are not insured and are subject to market fluctuations.

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	2025	**2024**
Land	$ 152,528	$ 152,528
Buildings and land improvements	9,556,572	5,013,332
Leasehold improvements	31,618	31,618
Furniture and equipment	561,563	213,638
Vehicles	125,653	125,653
	10,427,934	5,536,769
Less - accumulated depreciation	1,569,500	2,312,823
Property and equipment, net	$ 8,858,434	$ 3,223,946

As of June 30, 2024, construction in process includes various building and leasehold improvements, primarily related to the buildout of leased space for the Mercy Centre program. The improvements were placed into service in May 2025. As of June 30, 2025, there was no construction in process.

4. PROPERTY AND EQUIPMENT (Continued)

During fiscal year 2025, Catholic Charities committed to a plan to sell a building on 25 West Chester Street. The asset, with an original cost basis of $1,066,551, was fully depreciated as of June 30, 2025. Due to the asset being anticipated to be sold, the asset meets the criteria for classification as held for sale under ASC 360, *Property, Plant, and Equipment*. ASC 360 requires the asset be carried at the lower of its carrying value or fair value less the costs to sell the asset. Subsequent to year-end, Catholic Charities entered into a purchase and sale agreement with a buyer for consideration of $1,750,000.

5. LEASE ARRANGEMENTS

Catholic Charities also leases vehicles and equipment under operating and finance lease agreements that expire at various dates through July 2027. The leases do not have scheduled increases defined in the agreements. The monthly rental payments under the vehicle and equipment lease agreements range from $77 to $1,914 and are based on a minimum rental plus mileage and other related charges.

Most leases include one or more options to renew, with renewal terms that can extend the lease term from one to ten years. Only lease options that Catholic Charities believes are reasonably certain to be exercised are included in the measurement of the lease assets and liabilities. Certain leases also include options to purchase the leased property. The lease term is used for the amortization/depreciation life of the lease assets unless there is a transfer of title or purchase option reasonably certain of exercise, in which case the asset life is used.

Catholic Charities leases two facilities under operating lease agreements that expire in March 2025 and September 2047, respectively. Catholic Charities has the option to renew the leases for additional periods of one to ten years. Catholic Charities is required to pay monthly rent payments of $3,300 and $25,492, respectively, under these agreements, plus its pro-rata share of increases in property taxes and common area charges, where applicable. These lease agreements include an escalating fee schedule, which range from a 1% to 3% increase for specific years. Termination of the lease is generally prohibited unless there is a violation under the lease agreement.

Lease Costs and Other Information

The following summarizes the lease costs included in the accompanying statements of functional expenses for the years ended June 30:

	2025	2024
Finance Lease Costs (included in occupancy and travel expenses):		
Amortization of assets	$ 56,188	$ 45,610
Interest expense	4,875	3,149
Total finance lease costs	$ 61,063	$ 48,759
Operating Lease Costs (included in occupancy and travel expenses):		
Operating lease cost	$ 467,896	$ 467,168
Add - variable lease cost	419,209	422,163
Add - short-term lease cost	73,888	63,771
Total operating lease costs	$ 960,993	$ 953,102

5. LEASE ARRANGEMENTS (Continued)

Lease Costs and Other Information (Continued)

The following summarizes the cash flow information related to leases for the years ended June 30:

	2025	2024
Cash paid for amounts included in measurement of lease liabilities:		
Financing cash flows from finance leases	$ 60,915	$ 29,326
Operating cash flows from operating leases	$ 352,863	$ 342,383
ROU assets obtained in exchange for lease obligations:		
Finance leases	$ 110,429	$ -
Operating leases	$ 81,022	$ -

The maturities of lease liabilities for Catholic Charities as of June 30, 2025, are as follows:

	Finance	Operating
2026	$ 53,067	$ 363,613
2027	30,449	363,666
2028	23,092	342,117
2029	22,968	352,202
2030	3,829	362,595
Thereafter	-	8,278,298
Total future undiscounted lease payments	133,405	10,062,491
Less - current portion	53,067	363,613
Less - present value discount/interest	7,486	5,199,972
	$ 72,852	$ 4,498,906

The following summarizes the weighted-average remaining lease terms and discount rates as of June 30:

	2025	2024
Weighted-Average Remaining Lease Term:		
Finance leases	3.33 years	2.06 years
Operating leases	21.95 years	23.11 years
Weighted-Average Discount Rate:		
Finance leases	3.61%	3.48%
Operating leases	6.73%	6.73%

6. LINE OF CREDIT

Catholic Charities has a line of credit agreement with a bank allowing maximum borrowing of $1,000,000 at an interest rate based on the *Wall Street Journal's* Prime Rate minus 0.50%, which was 7% and 8% as of June 30, 2025 and 2024, respectively. As of June 30, 2025, there was no outstanding balance. As of June 30, 2024, there was an outstanding balance of $750,000. The line of credit is renewable annually in March.

7. NOTE PAYABLE

In December 2022, Catholic Charities entered into a note payable agreement with a bank with a maximum borrowing of $3,000,000. The agreement has a fixed interest rate on borrowings at the Federal Home Loan Bank of Boston two-year classic advance rate plus 2.25% (7.75% and 6.94% as of June 30, 2025 and 2024, respectively). Monthly payments of interest and principal are due based on a twelve-month amortization with a maturity in June 2025 which was extended to February 28, 2026. The note has certain financial and non-financial covenants with which Catholic Charities must comply. Catholic Charities was not in compliance with certain non-financial covenants as of June 30, 2025 and 2024, and received a waiver from the bank.

Catholic Charities incurred debt issuance costs in the amount of $14,313. The debt issuance costs were amortized over the initial eighteen-month loan period. Debt issuance costs were fully amortized as of June 30, 2025 and 2024. Amortization related to the unamortized debt issuance costs was $8,748 for the year ended June 30, 2024.

8. RETIREMENT PLAN

Catholic Charities has a discretionary contribution retirement plan through the Diocese of Worcester under IRC Section 403(b) covering all eligible employees. Employees who work at least 1,000 hours are eligible to participate in the plan and receive employer contributions. Employees' contributions to the plan vest immediately. Employer matching contributions vest over a period of three years. For the years ended June 30, 2025 and 2024, Catholic Charities made contributions of approximately $51,000 to the plan.

9. RELATED PARTY TRANSACTIONS

The building that houses Catholic Charities' administration office at 10 Hammond Street in Worcester, Massachusetts is owned by the Diocese of Worcester. The Bishop of the Diocese of Worcester is an Ex-Officio member of the Board of Directors of Catholic Charities. Catholic Charities does not pay rent for the Hammond Street facility, but is responsible for maintenance and other operating costs of the property, which is estimated to approximate fair market value. During fiscal years 2025 and 2024, Catholic Charities determined the fair value of this space to be $316,081. This amount was recorded as in-kind revenue and expense for the years ended June 30, 2025 and 2024.

Catholic Charities maintains a deposit account that earns 2.0% per annum with the Diocese of Worcester. The account balance as of June 30, 2025 and 2024, totaled $118,518 and $115,592, respectively, and is included in cash and cash equivalents in the accompanying statements of financial position.

Catholic Charities incurred costs for consulting accounting services provided by a national firm where one of its Board members served as an audit partner. For the years ended June 30, 2025 and 2024, fees paid to the firm amounted to approximately $315,000 and $197,000, respectively.

Catholic Charities incurred costs for managed information technology consulting services where one of its Board members is the owner and CEO. For the year ended June 30, 2025, fees paid to the firm amounted to approximately $200,000. There were no fees paid to the firm in 2024.

10. CONCENTRATIONS

Cash and Cash Equivalents

Catholic Charities maintains its cash balances in Massachusetts banks. The Federal Deposit Insurance Corporation (FDIC) insures balances at each bank up to certain amounts. At certain times during the year, cash balances exceeded the insured amounts. Catholic Charities has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on cash.

Catholic Charities has the following concentrations for program service revenue and receivables as of and for the years ended June 30:

	2025		2024	
	Revenue	Receivable	Revenue	Receivable
Not-for-Profit organizations*	45%	27%	35%	31%
MassHealth	32%	21%	27%	15%
Tufts Health Public Plan	13%	18%	18%	19%

* Not-for-profit organizations consist of regional aging services nonprofit agencies that contract with Catholic Charities to provide community-based services to older adults.

Catholic Charities has the following concentrations for grants and contribution revenue and grants receivable as of and for the years ended June 30:

	2025		2024	
	Revenue	Receivable	Revenue	Receivable
Commonwealth of Massachusetts:				
Department of Developmental Services (DDS)	28%	31%	18%	23%
Executive Office of Health and Human Services (EOHHS)	35%	28%	13%	24%
U.S. Department of Labor	- %	- %	26%	- %
Private not-for-profit organization	12%	14%	-%	21%

11. CONTINGENCIES

In the ordinary course of business, Catholic Charities is from time-to-time involved in disputes concerning business matters. While damages in connection with these disputes are possible, Catholic Charities denies any wrongdoing in these cases and is taking the appropriate legal steps in defense of these disputes. It is Catholic Charities opinion that any potential settlement would not be material to the accompanying financial statements.

12. CONDITIONAL GRANTS

Catholic Charities was awarded multiple conditional commitments from various Federal and Massachusetts state agencies, which contain funder-imposed conditions that represent a barrier that must be overcome, as well as a release from obligations. Catholic Charities recognizes related revenue from these government contracts when funder-imposed conditions are substantially met (see Note 2). The funder-imposed conditions for these contract revenues include the requirement for Catholic Charities to incur qualifying expenses. These commitments are not included in the accompanying financial statements.

12. CONDITIONAL GRANTS (Continued)

The total amounts committed but not recognized, from Federal and Massachusetts state agencies amounted to $50,000 and $252,791 as of June 30, 2025 and 2024, respectively.

During the fiscal year ended June 30, 2024, Catholic Charities received a state grant totaling $140,000, from a Massachusetts state agency. This grant is designated for disbursement to eligible Massachusetts residents in paying or lowering their residential heating costs based on determination by Catholic Charities. This amount is reflected as a conditional grant advance as of June 30, 2024. Catholic Charities recognized $133,240 of revenue during fiscal year 2025, which is included in grants and contributions in the statement of activities and changes in net assets. The remaining balance of $6,760 is reflected as a conditional grant in the accompanying statement of financial position as of June 30, 2025.

13. AVAILABLE RESOURCES AND LIQUIDITY

The following represents Catholic Charities' financial assets at June 30:

	2025	2024
Cash and cash equivalents	$ 842,554	$ 1,898,658
Program services receivable, net	1,517,283	887,657
Grants receivable	398,413	370,528
Total financial assets	2,758,250	3,156,843
Less - net assets with donor restrictions	306,027	180,407
Financial assets available to meet general expenditures over the next twelve months	$ 2,452,223	$ 2,976,436

Catholic Charities regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. Catholic Charities has various sources of liquidity at its disposal, including cash and cash equivalents and investments, which, although intended for long-term investment, are nevertheless available to cover operating shortfalls.

As of June 30, 2025 and 2024, Catholic Charities has investments of approximately $3,215,000 and $6,360,000, respectively, which can be liquidated to support operations if necessary. In the event of an unanticipated liquidity need, management has access to the available amount on its $1,000,000 line of credit (see Note 6). Furthermore, Catholic Charities sold of one of its properties subsequent to June 30, 2025, for approximately $1,750,000 (see Note 4). The proceeds will be used to pay down certain notes payable and reduce Catholic Charities' monthly debt service obligations.

14. RECLASSIFICATIONS

Certain amounts in the fiscal year 2024 financial statements have been reclassified to conform with the fiscal year 2025 presentation.