

**Catholic Social Services
of the Diocese of Scranton, Inc.**

Consolidated Financial Statements

June 30, 2022 and 2021

Catholic Social Services of the Diocese of Scranton, Inc.

Table of Contents

June 30, 2022 and 2021

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements	
Consolidated Statements of Financial Position	4
Consolidated Statements of Activities	5
Consolidated Statements of Functional Expenses	6
Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements	9
Supplementary Information	
<u>Schedule 1</u> - Consolidating Statement of Financial Position	29
<u>Schedule 2</u> - Consolidating Statement of Activities	31
<u>Schedule 3</u> - Consolidating Statement of Cash Flows	33



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Independent Auditor's Report

To the Board of Directors
Catholic Social Services
of the Diocese of Scranton, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Catholic Social Services of the Diocese of Scranton, Inc. (CSS), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Catholic Social Services of the Diocese of Scranton, Inc. as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 CSS 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 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.



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To the Board of Directors
Catholic Social Services
of the Diocese of Scranton, Inc.

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 CSS's 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 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 CSS'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 CSS'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.

To the Board of Directors
Catholic Social Services
of the Diocese of Scranton, Inc.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2023 on our consideration of CSS's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CSS's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CSS's internal control over financial reporting and compliance.

McGail Michael Quinn
+ Associates, P.C.

Scranton, Pennsylvania
March 21, 2023

Catholic Social Services of the Diocese of Scranton, Inc.

Consolidated Statements of Financial Position

June 30, 2022 and 2021

	Assets	
	2022	2021
Current Assets		
Cash	\$ 1,695,954	\$ 1,278,475
Deposits with Diocese of Scranton	3,200,007	1,935,888
Grants receivable	758,915	806,938
Accounts receivable	12,940	20,823
Contributions receivable	-	1,199,968
Prepaid expenses	141,913	130,657
Due from related parties	522,622	608,039
Total current assets	6,332,351	5,980,788
Notes Receivable, Related Parties	2,976,200	2,976,200
Restricted Deposits and Funded Reserves	412,462	401,847
Investments	2,237	1,928
Property and Equipment, Net	10,123,051	10,396,665
Property Held for Sale	-	653,526
Other Assets	107,631	116,296
Total assets	<u>\$ 19,953,932</u>	<u>\$ 20,527,250</u>
	Liabilities and Net Assets	
Current Liabilities		
Demand notes payable	\$ 379,542	\$ 906,492
Current portion of loans payable - related party	269,171	229,950
Due to related parties	376,579	962,069
Accounts payable and accrued expenses	336,095	319,505
Refundable advances	117,723	-
Total current liabilities	1,479,110	2,418,016
Loans Payable - Related Party	4,157,400	4,593,911
Mortgages Payable	4,911,900	4,911,900
Accrued Pension Cost	1,210,508	2,393,860
Other Liabilities	59,711	62,384
Total liabilities	11,818,629	14,380,071
Net Assets		
Without donor restrictions	6,560,729	4,994,772
With donor restrictions	1,574,574	1,152,407
Total net assets	8,135,303	6,147,179
Total liabilities and net assets	<u>\$ 19,953,932</u>	<u>\$ 20,527,250</u>

See notes to financial statements

Catholic Social Services of the Diocese of Scranton, Inc.

Consolidated Statements of Activities

Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues						
Fees and grants from government agencies	\$ 4,714,686	\$ 87,308	\$ 4,801,994	\$ 4,479,388	\$ 192,182	\$4,671,570
Program revenue	607,573	-	607,573	856,112	35,306	891,418
Donations	1,287,022	675,486	1,962,508	855,690	19,788	875,478
United Way	179,121	-	179,121	169,188	-	169,188
Diocesan Annual Appeal	641,446	-	641,446	591,804	-	591,804
Diocese of Scranton	2,358,000	-	2,358,000	73,552	-	73,552
Special events	3,335	-	3,335	20	-	20
Rental income	509,856	-	509,856	501,203	-	501,203
Other income	70,316	-	70,316	40,729	-	40,729
Interest income	49,968	-	49,968	32,812	-	32,812
Investment income	339	-	339	36,369	-	36,369
(Gain) loss on disposal of property and equipment	43,904	-	43,904	(27,336)	-	(27,336)
Net assets released from restriction	340,627	(340,627)	-	394,960	(394,960)	-
Total support and revenues	<u>10,806,193</u>	<u>422,167</u>	<u>11,228,360</u>	<u>8,004,491</u>	<u>(147,684)</u>	<u>7,856,807</u>
Expenses and Losses						
Program	6,209,851	-	6,209,851	6,223,133	-	6,223,133
Management and general	1,196,831	-	1,196,831	1,968,846	-	1,968,846
Fundraising	42,987	-	42,987	51,884	-	51,884
Total expenses and losses	<u>7,449,669</u>	<u>-</u>	<u>7,449,669</u>	<u>8,243,863</u>	<u>-</u>	<u>8,243,863</u>
Revenues in excess of (less than) expenses	3,356,524	422,167	3,778,691	(239,372)	(147,684)	(387,056)
Pension Liability Adjustment	<u>(1,790,567)</u>	<u>-</u>	<u>(1,790,567)</u>	<u>1,717,253</u>	<u>-</u>	<u>1,717,253</u>
Increase (decrease) in net assets	<u>1,565,957</u>	<u>422,167</u>	<u>1,988,124</u>	<u>1,477,881</u>	<u>(147,684)</u>	<u>1,330,197</u>
Net Assets, Beginning	<u>4,994,772</u>	<u>1,152,407</u>	<u>6,147,179</u>	<u>3,516,891</u>	<u>1,300,091</u>	<u>4,816,982</u>
Net Assets, Ending	<u>\$ 6,560,729</u>	<u>\$ 1,574,574</u>	<u>\$ 8,135,303</u>	<u>\$ 4,994,772</u>	<u>\$ 1,152,407</u>	<u>\$ 6,147,179</u>

See notes to financial statements

Catholic Social Services of the Diocese of Scranton, Inc.

Consolidated Statement of Functional Expenses

Year Ended June 30, 2022

	Program Services						Support Services			Total
	Adult and Family Services	Housing and Homeless Services	Material Assistance	Immigration Services	Adoption and Fostercare	Youth Services	Total Program Services	Management and General	Fundraising	
Salaries	\$ 96,891	\$ 1,448,719	\$ 505,820	\$ 63,236	\$ 4,544	\$ 393,823	\$ 2,513,033	\$ 532,115	\$ 29,121	\$ 3,074,269
Specific assistance to individuals	21,868	847,526	122,629	-	-	29	992,052	-	-	992,052
Professional contracts and services	119,415	29,938	16,362	191	13	9,157	175,076	162,878	-	337,954
Employee benefits	22,140	244,808	102,929	10,015	817	93,981	474,690	110,638	1,713	587,041
Pension	1,874	15,548	10,577	162	75	5,347	33,583	(401,244)	1,345	(366,316)
Payroll taxes	9,574	140,646	49,580	6,196	447	38,443	244,886	(16,741)	689	228,834
Depreciation	313	199,444	48,758	-	-	3,344	251,859	255,637	-	507,496
Rent	5,113	274,152	8,611	1,195	-	29,801	318,872	23,264	-	342,136
Utilities and telephone	1,014	134,404	58,134	473	39	7,969	202,033	119,229	-	321,262
Insurance	7,558	158,741	66,345	846	683	13,844	248,017	103,545	-	351,562
Interest	114	4,582	114	30	-	670	5,510	175,238	-	180,748
Food	-	48,747	35,361	-	-	-	84,108	-	-	84,108
Maintenance and repairs	130	149,642	37,457	250	-	698	188,177	55,103	-	243,280
Grant expense	-	128,439	-	-	-	-	128,439	-	-	128,439
Program supplies	1,058	26,736	17,814	979	-	289	46,876	2,654	-	49,530
Staff travel	4,646	16,973	262	-	-	20,211	42,092	8,113	-	50,205
Special events	-	-	-	-	-	-	-	-	9,603	9,603
Legal and professional fees	-	72,785	-	-	-	-	72,785	456	-	73,241
Office supplies	780	24,074	2,970	139	260	4,026	32,249	4,327	-	36,576
Dues and subscriptions	608	4,346	880	-	2	6	5,842	23,898	-	29,740
Advertising	-	5,061	-	-	-	-	5,061	1,250	-	6,311
Miscellaneous	98	20,581	2,049	188	-	93	23,009	28,259	344	51,612
Equipment	1,808	37,187	7,056	715	-	8,909	55,675	2,515	-	58,190
Staff development	-	1,114	172	1,930	-	585	3,801	1,287	-	5,088
Printing	139	1,961	315	175	-	794	3,384	2,272	-	5,656
Postage	17	507	2,713	114	48	84	3,483	1,568	172	5,223
Property taxes	-	46,574	-	-	-	-	46,574	-	-	46,574
Bad debt	-	1,072	-	-	-	-	1,072	570	-	1,642
Amortization	-	7,613	-	-	-	-	7,613	-	-	7,613
Total Expenses	\$ 295,158	\$ 4,091,920	\$ 1,096,908	\$ 86,834	\$ 6,928	\$ 632,103	\$ 6,209,851	\$ 1,196,831	\$ 42,987	\$ 7,449,669

See notes to financial statements

Catholic Social Services of the Diocese of Scranton, Inc.

Consolidated Statement of Functional Expenses

Year Ended June 30, 2021

	Program Services								Total Program Services	Support Services		
	Adult and Family Services	Housing and Homeless Services	Material Assistance	Immigration Services	Adoption and Fostercare	Drug and Alcohol Services	BBBS	Youth Services		Management and General	Fundraising	Total
Salaries	\$ 123,893	\$ 1,592,724	\$ 476,347	\$ 55,772	\$ 1,698	\$ -	\$ 1	\$ 380,758	\$ 2,631,193	\$ 468,660	\$ 31,116	\$ 3,130,969
Specific assistance to individuals	16,119	849,429	181,809	-	-	-	-	-	1,047,357	48	-	1,047,405
Professional contracts and services	147,520	55,370	14,242	1,475	7	35	-	5,752	224,401	196,126	133	420,660
Employee benefits	38,762	286,650	89,683	9,839	198	(3,724)	2,931	98,723	523,062	124,368	4,374	651,804
Pension	(1,143)	(18,216)	(8,339)	(737)	(78)	-	-	(1,910)	(30,423)	(25,664)	2,594	(53,493)
Payroll taxes	11,152	141,879	42,924	5,027	172	-	1	34,301	235,456	113,500	2,317	351,273
Depreciation	-	214,885	63,250	-	-	-	-	1,778	279,913	362,355	-	642,268
Rent	4,006	247,156	11,705	2,319	29	1,603	-	12,118	278,936	34,239	-	313,175
Utilities and telephone	1,541	117,754	49,032	1,322	16	-	41	10,309	180,015	140,112	-	320,127
Insurance	9,407	149,546	58,474	7,362	208	347	-	17,020	242,364	108,392	-	350,756
Interest	126	5,732	2,295	69	-	-	242	902	9,366	238,686	-	248,052
Food	-	50,401	28,019	-	-	-	-	-	78,420	-	-	78,420
Maintenance and repairs	147	114,026	25,792	532	-	-	-	-	140,497	96,797	-	237,294
Grant expense	-	112,646	-	-	-	-	-	-	112,646	-	-	112,646
Program supplies	451	18,825	14,953	477	-	-	-	323	35,029	4,533	-	39,562
Staff travel	2,155	11,165	107	69	6	-	-	13,528	27,030	1,599	-	28,629
Special events	-	-	-	-	-	-	-	-	-	-	8,242	8,242
Legal and professional fees	-	53,791	50	-	-	-	-	-	53,841	1,547	-	55,388
Office supplies	432	20,622	3,006	369	-	-	-	1,453	25,882	6,114	58	32,054
Dues and subscriptions	144	5,997	2,439	628	-	-	-	27	9,235	19,045	15	28,295
Advertising	-	6,883	-	-	-	-	-	-	6,883	-	-	6,883
Miscellaneous	65	13,438	8,435	145	-	325	11,683	129	34,220	71,160	2,410	107,790
Equipment	-	13,478	674	-	-	-	-	-	14,152	2,439	-	16,591
Staff development	9	671	113	465	-	(30)	(270)	1,297	2,255	249	-	2,504
Printing	3	683	2,607	94	-	-	-	121	3,508	2,180	-	5,688
Postage	147	886	3,988	554	12	-	-	465	6,052	2,394	625	9,071
Property taxes	-	44,077	-	-	-	-	-	-	44,077	-	-	44,077
Bad debt	-	2,564	-	-	-	-	-	-	2,564	(33)	-	2,531
Amortization	-	5,202	-	-	-	-	-	-	5,202	-	-	5,202
Total Expenses	\$ 354,936	\$ 4,118,264	\$ 1,071,605	\$ 85,781	\$ 2,268	\$ (1,444)	\$ 14,629	\$ 577,094	\$ 6,223,133	\$ 1,968,846	\$ 51,884	\$ 8,243,863

See notes to financial statements

Catholic Social Services of the Diocese of Scranton, Inc.

Consolidated Statements of Cash Flows

Years Ended June 30, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Increase in net assets	\$ 1,988,124	\$ 1,330,197
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	507,496	642,268
Amortization	7,613	5,202
(Gain) loss on disposal of property and equipment	(43,904)	27,336
Unrealized and realized gains	(293)	(22,152)
Pension liability adjustment	1,790,567	(1,717,253)
Changes in assets and liabilities:		
Grants receivable	48,023	269,704
Accounts receivable	7,883	76
Contributions receivable	1,199,968	826,577
Prepaid expenses	(11,256)	(69,410)
Other assets	1,052	8,348
Due from/to related parties	(500,073)	(938,948)
Accrued pension cost	(2,973,919)	(601,043)
Accounts payable and accrued expenses	16,590	(430,862)
Other liabilities	(19,011)	(9,344)
Refundable advances	134,061	(190,797)
Net cash provided by (used in) operating activities	<u>2,152,921</u>	<u>(870,101)</u>
Cash Flows from Investing Activities		
Change in restricted deposits and funded reserves	(10,615)	(40,576)
Change in deposits with Diocese of Scranton	(1,264,119)	(238,041)
Proceeds from sale of property and equipment	704,070	952,744
Purchase of property and equipment	(240,522)	(172,927)
Purchase of investments	(16)	(13,995)
Sale of investments	-	199,854
Net cash (used in) provided by investing activities	<u>(811,202)</u>	<u>687,059</u>
Cash Flows from Financing Activities		
Change in demand notes payable	(526,950)	(43,672)
Repayment of loans payable - related party	<u>(397,290)</u>	<u>(173,423)</u>
Net cash used in financing activities	<u>(924,240)</u>	<u>(217,095)</u>
Net increase (decrease) in cash	417,479	(400,137)
Cash, Beginning of Year	<u>1,278,475</u>	<u>1,678,612</u>
Cash, End of Year	<u>\$ 1,695,954</u>	<u>\$ 1,278,475</u>
Supplemental Disclosure of Cash Flow Information		
Interest Expense	<u>\$ 180,748</u>	<u>\$ 248,052</u>

See notes to financial statements

Catholic Social Services of the Diocese of Scranton, Inc.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Catholic Social Services of the Diocese of Scranton, Inc. ("CSS") is a nonprofit organization located in Northeastern Pennsylvania. CSS is comprised of six service centers: The Wyoming Valley Office, the Greater Hazleton Area Office, the Lackawanna County Office, St. Vincent de Paul Soup Kitchen, the Pike County Office, and the Monroe County Office. CSS provides direct services and self-help assistance to needy individuals.

CSS serves as a developer for several limited partnerships. As such, CSS receives a fee for those services.

CSS derives its funding from the following agencies and governmental bodies:

- United Way Agencies
- Commonwealth of Pennsylvania:
 - a. Medical Assistance
 - b. Department of Human Services
 - c. Department of Transportation
 - d. Department of Community Affairs
 - e. Department of Veterans Affairs
 - f. Women in Need
- Diocese of Scranton:
 - a. Diocesan Appeal
 - b. Bishop's Relief
 - c. Program support
- Luzerne, Lackawanna, Pike and Carbon Counties:
 - a. Children and Youth Services
 - b. Behavioral Health/ Intellectual Disabilities/ Early Intervention Program
 - c. Human Resources
 - d. Department of Human Services
 - e. Luzerne County Office of Community Development
- United States Federal Government:
 - a. Department of Health and Human Services
 - b. Federal Emergency Management Agency
 - c. Department of Housing and Urban Development

Catholic Social Services of the Diocese of Scranton, Inc.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

- Other:
 - a. Fee for services
 - b. Donations
 - c. Catholic Charities
 - d. United States Conferences of Catholic Bishops

CSS evaluated subsequent events for their recognition or disclosure through March 21, 2023, the date the financial statements were available to be issued. Refer to Note 20.

Principles of Consolidation

The accompanying consolidated financial statements include the activities of CSS and two limited partnerships. All significant intercompany accounts and material transactions have been eliminated in consolidation.

The following is a summary of the consolidated ownership information as of June 30, 2022.

	<u>Owner Interest</u>
Saint John Apartments, L.P.	100%
Catholic Senior Housing Partners, L.P.	100%

On November 1, 2022, CSS transferred its partnership interest in these limited partnerships.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Estimates are used to determine the assumed long-term rate of return and discount rate for the employee benefit plan. Due to current economic conditions, it is at least reasonably possible that the estimates will change in the near term.

Receivables

Accounts and grants receivable are reported at amounts management expects to collect on balances outstanding at year-end. Receivables are charged to bad debt expense when deemed uncollectible based upon a periodic review of the accounts. No allowance for doubtful accounts was recorded because management believes all are collectible.

Catholic Social Services of the Diocese of Scranton, Inc.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the Statements of Financial Position. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) are reported in the Statement of Activities as increases or decreases in net assets without donor restrictions.

Support, Revenues, and Expenses

The consolidated financial statements are prepared on the accrual basis of accounting, whereby support and revenues are recognized when earned and expenses are recognized when incurred. All contributions are considered to be available without donor restriction unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support with donor restrictions that increases that net asset class. However, if a restriction is fulfilled in the same time period in which the contribution is received, CSS reports the support as without donor restriction.

Grants and Contracts

Government grants and contracts normally provide for the recovery of direct and indirect costs, subject to an audit. CSS recognizes revenue associated with direct and indirect costs as direct costs are incurred. The recovery of indirect costs is pursuant to an agreement, which provides for a predetermined fixed indirect cost rate.

Individual grant arrangements have been evaluated and most have been determined to be nonreciprocal, meaning the granting entity has not received a direct benefit in exchange for the resources provided. Instead, revenue is recognized like a conditional contribution, i.e., when the barrier to entitlement is overcome. The barrier to entitlement is considered overcome when expenditures associated with each grant are determined to be allowable and all other significant conditions of the grant are met. Grants that have been determined to be reciprocal fall under the scope of ASC Topic 606 and are recognized as the performance obligations are satisfied.

Program Revenue

Revenue is recognized by CSS when services are provided.

Property and Equipment

Acquisitions of property and equipment and leasehold improvements in excess of \$3,000 are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets or lease term.

For those items which are funded by federal awards, CSS must, upon disposition:

- obtain approval and instructions from the awarding agency,
- if sold, CSS must remit to the awarding agency the federal portion of net sales proceeds.

Catholic Social Services of the Diocese of Scranton, Inc.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

Property and equipment are evaluated for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. If expected cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of the assets. No impairment losses were recognized in 2022 and 2021.

Gifts of long-lived assets such as land, buildings or equipment are reported as support without donor restriction unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restriction. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Income Taxes

CSS is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on its exempt income under Section 501(a) of the Internal Revenue Code.

In accordance with the Financial Accounting Standards Board guidance on accounting for uncertainty in income taxes, management evaluated CSS's tax positions and concluded that CSS had taken no uncertain tax positions that require adjustments to the financial statements to comply with the provisions of this guidance. With few exceptions, CSS is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2019.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by CSS. Volunteer provided services are not recognized as contributions in the financial statements.

Liquidity

CSS regularly monitors liquidity required to meet its annual operating needs and other contractual commitments. As of June 30, 2022, the following financial assets are available to meet annual operating needs for the year ended June 30, 2023:

Financial assets at year end:	
Cash	\$ 1,695,954
Deposits with Diocese of Scranton	3,200,007
Grants Receivable	758,915
Accounts Receivable	12,940
	<u>5,667,816</u>
Less amounts not available to be used within one year:	
Financial assets with donor restrictions	1,574,574
Financial assets available to meet general expenditures within one year	<u>\$ 4,093,242</u>

Catholic Social Services of the Diocese of Scranton, Inc.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

CSS has various sources of liquidity at its disposal including cash, receivables, lines of credit, grant income, program revenues, and contributions.

Indirect Cost Rate

Effective July 1, 2019, CSS was approved for an indirect cost rate of 23.62% to use during the fiscal year ending June 30, 2022. During the year ended June 30, 2022, indirect costs were allocated to individual programs by multiplying the indirect cost rate by direct salaries. The indirect cost rate used to allocate indirect costs for the year ending June 30, 2021 was 23.62%.

Functional Expense Allocations

Expenses that can be attributed to a particular function are charged there. Other expenses are allocated based on the distribution of staff time.

New Accounting Standards

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard was effective for fiscal years beginning after December 15, 2020. In June 2020, the FASB issued ASU 2020-05 which defers the effective date of ASU 2016-02 one year making it effective for annual reporting periods beginning after December 15, 2021. CSS is currently evaluating the effect that the standard will have on the financial statements.

In August 2018, the FASB issued ASU 2018-14, *Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans*, which modifies the disclosure requirements for defined benefit pension plans and other post-retirement plans. The amendments in ASU 2018-14 was effective for CSS for the fiscal year ending June 30, 2022. The adoption of the standard did not have a material impact on the financial statements.

2. FEMA Resources

The Stewart McKinney Homeless Assistance Act authorized the Federal Emergency Management Agency (FEMA) to provide for an allocation of funds by the FEMA National Board for the provision of emergency food and shelter services to individuals in need. National Board funds are distributed to Local Recipient Organizations (LRO) and Fiscal Agents certified eligible by Local Boards. CSS serves as both an LRO and a Fiscal Agent and is monitored by the United Way of Lackawanna County and the United Way of Wyoming Valley.

Catholic Social Services of the Diocese of Scranton, Inc.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

3. Notes Receivable, Related Parties

CSS owns 100% of Catholic Housing Corporation, which owns 100% of Catholic Partners Housing, Inc., which is a .01% general partner of Catholic Senior Housing Partners, L.P. As of April 17, 2018, CSS was assigned the remaining 99.99% limited partner interest of Catholic Senior Housing Partners, L.P. CSS also owns 100% of St. John Apartments, Inc., which is a .009% general partner of St. John Apartments, L.P. As of June 19, 2018, CSS was assigned the remaining 99.991% limited partner interest of Saint John Apartments, L.P. These limited partnerships are consolidated into CSS's financial statements.

Zaccaeus Corporation, a nonprofit organization, formed by CSS as a developer for low income housing projects, owns 100% of various corporations which are the general partners in St. Vincent Apartments, L.P., Thomas Court Associates, L.P. and St. Gabriel Apartments, L.P. These limited partnerships operate residential apartments to households with income levels at or below levels committed to under regulations. CSS has received various loans or grant funds and passed these amounts to these related parties as notes receivables as follows:

Catholic Senior Housing Partners, L.P.

CSS received a grant from the County of Lackawanna for \$200,000, which, in turn, CSS loaned to Catholic Senior Housing Partners, LP. Repayment is due in 2031. Interest is not charged. The note is secured by certain real estate of the Partnership.

St. John Apartments, L.P.

CSS received a loan from the County of Luzerne for \$305,000, which, in turn, CSS loaned to St. John Apartments, L.P. See Note 9 for the terms of the loan with the County of Luzerne. The note is due in July 2034. Interest is not charged.

CSS loaned \$120,000 to St. John Apartments, L.P. The note is due in December 2033. Interest is not charged.

St. Gabriel Apartments, L.P.

CSS received a grant from the City of Pittston for \$200,000 which, in turn, CSS loaned to St. Gabriel Apartments, L.P. The balance is due in 2037. Interest is not charged.

CSS received a developer fee from St. Gabriel Apartments, L.P. for \$319,200. CSS loaned back to St. Gabriel Apartments, L.P. \$310,724. The balance is due 2037. Interest is not charged.

CSS received a grant from the U.S. Department of Housing and Urban Development. CSS loaned \$75,000 to St. Gabriel Apartments, L.P. The balance is due in 2037. Interest is not charged.

CSS received a loan from Luzerne County for \$450,000 which, in turn, CSS loaned to St. Gabriel Apartments, L.P. See Note 9 for the terms of the loan with Luzerne County. The balance is due in 2036. Interest is not charged.

CSS loaned \$315,476 to St. Gabriel Apartments, Inc. The balance is due May 2036. Interest is not charged.

Catholic Social Services of the Diocese of Scranton, Inc.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

St. Vincent Apartments, L.P.

CSS received grant revenue from the County of Luzerne Office of Community Development for \$250,000, which, in turn, CSS loaned to St. Vincent Apartments, L.P. The balance is due in 2037. Interest is not charged.

CSS received a loan from Luzerne County for \$250,000, which, in turn, CSS loaned to St. Vincent Apartments, L.P. See Note 9 for the terms of the loan with Luzerne County. The balance is due in 2038. Interest is not charged.

CSS received a loan from Community Bank and Trust Co. for \$130,000, which, in turn, CSS loaned to St. Vincent Apartments, L.P. See Note 9 for the terms of the loan with Community Bank and Trust Co. The note is due upon demand after the earlier of (i) the occurrence of an event of default, as defined in the loan agreement, (ii) any sale or refinancing of the project, or (iii) July 2036. Interest is not charged.

Thomas Court Associates, L.P.

CSS received a loan from the City of Hazleton for \$250,000, which, in turn, CSS loaned to Thomas Court Associates, L.P. See Note 9 for the terms of the loan with the City of Hazleton. The balance is due in 2037. Interest is not charged.

St. Stanislaus Associates, L.P.

CSS received a loan from PNC Bank, N.A. for \$165,000, which, in turn, CSS loaned to St. Stanislaus Associates, L.P. See Note 9 for the terms of the loan with PNC Bank, N.A. The balance is due on the later of (i) the (30th) anniversary of the Project completion date, or (ii) December 31, 2040.

Zaccaeus Corporation

CSS received a mortgage from Luzerne County for \$580,000, which, in turn, CSS loaned to Zaccaeus Corporation. See Note 9 for the terms of the loan with Luzerne County. The balance is due in 2024. Interest is not charged.

Notes receivable at June 30, 2022 and 2021 are as follows:

	2022	2021
St. Gabriel Apartments, L.P.	\$ 200,000	\$ 200,000
St. Gabriel Apartments, L.P.	310,724	310,724
St. Gabriel Apartments, L.P.	75,000	75,000
St. Gabriel Apartments, L.P.	450,000	450,000
St. Gabriel Apartments, Inc.	315,476	315,476
St. Vincent Apartments, L.P.	250,000	250,000
St. Vincent Apartments, L.P.	250,000	250,000
St. Vincent Apartments, L.P.	130,000	130,000
Thomas Court Associates, L.P.	250,000	250,000
St. Stanislaus Apartments, L.P.	165,000	165,000
Zaccaeus Corporation	580,000	580,000
Total	<u>\$ 2,976,200</u>	<u>\$ 2,976,200</u>

Catholic Social Services of the Diocese of Scranton, Inc.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

4. Due from Related Parties

The balances due from related parties consist of amounts due from Zaccaeus Corporation totaling \$88,950 at June 30, 2022 and \$92,221 at June 30, 2021 for services, development fees and other costs relating to housing development and amounts due from the Diocese of Scranton totaling \$23,829 at June 30, 2022. The remaining balances of \$409,843 at June 30, 2022 and \$515,818 at June 30, 2021 are due from various related parties. The balances are interest free and have no fixed repayment terms.

5. Investments

Investments at June 30, 2022 and 2021 are summarized as follows:

	2022		2021	
	Cost	Fair Value (Carrying Value)	Cost	Fair Value (Carrying Value)
Cash Equivalents	\$ 1,124	\$ 1,124	\$ 1,108	\$ 1,108
Common Stocks	31	1,113	31	820
Total investments	<u>\$ 1,155</u>	<u>\$ 2,237</u>	<u>\$ 1,139</u>	<u>\$ 1,928</u>

Interest and investment income consisted of the following:

	2022	2021
Interest and dividends	<u>\$ 50,014</u>	<u>\$ 47,029</u>
Net realized and unrealized gains on investment transactions	<u>\$ 293</u>	<u>\$ 22,152</u>

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, CSS uses various methods including market, income and cost approaches. Based on these approaches, CSS often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. CSS utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, CSS is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Catholic Social Services of the Diocese of Scranton, Inc.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value:

Money Markets, Mutual Funds and Common Stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while CSS believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the assets at fair value as of June 30, 2021 and 2020.

June 30, 2022				
Assets:	Level 1	Level 2	Level 3	Total
Cash Equivalents	\$ 1,124	\$ -	\$ -	\$ 1,124
Common Stocks	1,113	-	-	1,113
	<u>\$ 2,237</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,237</u>

June 30, 2021				
Assets:	Level 1	Level 2	Level 3	Total
Cash Equivalents	\$ 1,108	\$ -	\$ -	\$ 1,108
Common Stocks	820	-	-	820
	<u>\$ 1,928</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,928</u>

Catholic Social Services of the Diocese of Scranton, Inc.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

6. Property and Equipment

Property and equipment and accumulated depreciation as of June 30, 2022 and 2021 are as follows:

	2022	2021
Land	\$ 604,589	\$ 604,589
Buildings	8,431,825	8,835,789
Building improvements	7,758,348	7,168,361
Leasehold improvements	118,824	104,228
Vehicles	237,251	262,050
Furniture and equipment	727,966	792,487
Construction in progress	18,252	-
Total	17,897,055	17,767,504
Less accumulated depreciation	7,774,004	7,370,839
Property and equipment, net	<u>\$ 10,123,051</u>	<u>\$ 10,396,665</u>

Construction in progress at June 30, 2022 consisted of renovations to the Scranton and Hazleton locations.

7. Property Held for Sale

During the year ended June 30, 2021, CSS listed a property for sale and it was recorded at the lower of cost or estimated fair value. During the year ended June 30, 2022, the property was sold for \$750,000

8. Demand Notes Payable

CSS has a \$600,000 line of credit. Borrowings were \$62,420 at June 30, 2022 and \$365,626 at June 30, 2021. The interest rate is equal to prime rate (4.75% at June 30, 2022). The line is secured by accounts and property owned by CSS.

CSS also has a \$700,000 line of credit. Borrowings were \$317,122 at June 30, 2022 and \$540,866 at June 30, 2021. The interest rate on each advance is equal to the sum of the Daily BSBY rate plus 3.13% (approximately 4.74% at June 30, 2022). The line is secured by certain real estate. The line of credit had been guaranteed by the Diocese of Scranton. In June, 2018, the agreement was amended to include the Diocese as a borrower.

Catholic Social Services of the Diocese of Scranton, Inc.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

9. Mortgages Payable

Mortgages payable at June 30, 2022 and 2021 consists of the following:

	2022	2021
Mortgage payable to Luzerne County. The mortgage is interest free and payment is deferred until 2034. At the end of the deferral period, Luzerne County will review CSS's ability to repay. If it is determined that CSS is financially strong, the principal shall be amortized over a fifteen-year term without interest. However, if CSS is not financially able to begin repayment, the term of the loan shall be extended one year. The review will continue annually until it is determined CSS is financially able to begin repayment. St. John Apartments, L.P. has a forty-year lease with the Diocese of Scranton (the "Diocese") and if the Diocese does not renew the lease, the mortgage will be immediately due and payable unless it is determined by the County that to do so would detrimentally affect low income members of the community. The mortgage has been assigned to St. John Apartments, L.P. and is secured by a second lien on their real estate.	\$ 305,000	\$ 305,000
Mortgage payable to Luzerne County. The mortgage is interest free and payment is deferred until 2036. At the end of the deferral period, Luzerne County will review CSS's ability to repay. If it is determined that CSS is financially strong, the principal shall be amortized over a fifteen-year term without interest. However, if CSS is not financially able to begin repayment, the term of the loan shall be extended one year. The review will continue annually until it is determined CSS is financially able to begin repayment. St. Gabriel Apartments, L.P. has a forty-year lease with the Diocese of Scranton (the "Diocese") and if the Diocese does not renew the lease, the mortgage will be immediately due and payable unless it is determined by the County that to do so would detrimentally affect low income members of the community. The mortgage has been assigned to St. Gabriel Apartments, L.P. and is secured by a sixth lien on their real estate.	450,000	450,000

Catholic Social Services of the Diocese of Scranton, Inc.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Mortgage payable to Luzerne County. The mortgage is interest free and payment is deferred until 2038. The mortgage has been assigned to St. Vincent Apartments, L.P. and is secured by a lien on their real estate.	\$ 250,000	\$ 250,000
Mortgage payable to Community Bank and Trust Co. The mortgage is interest free and is payable in full in the event of default, as defined within the loan agreement, within the retention period. The retention period ends July 2036. If no event of default shall occur during the retention period, CSS shall be released from all liability under this mortgage. The mortgage has been assigned to St. Vincent Apartments, L.P. and is secured by a lien on their real estate.	130,000	130,000
Mortgage payable to PNC Bank, N.A. The mortgage is interest free and payable in full in the event of default, as defined within the loan agreement, within the retention period. The retention period ends December 31, 2025. If no event of default shall occur during the retention period, CSS shall be released from all liability under this mortgage. The mortgage has been assigned to St. Stanislaus Associates, L.P. and is secured by a lien on their real estate.	165,000	165,000
Mortgage payable to City of Hazleton. The mortgage is interest free and payment is deferred until 2037. The mortgage has been assigned to Thomas Court Associates, L.P. and is secured by a lien on their real estate.	250,000	250,000
Mortgage payable to Luzerne County. The mortgage is interest free and payment is deferred until 2024. The mortgage has been assigned to Zaccaeus Corporation.	580,000	580,000
Mortgage payable to Luzerne County. The mortgage is interest free and is payable in full in the event of default, as defined in the loan agreement, within retention period, which ends December 2027. If no event of default shall occur during the retention period, CSS shall be released from all liability under this mortgage. The mortgage is secured by real estate.	400,000	400,000

Catholic Social Services of the Diocese of Scranton, Inc.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

	<u>2021</u>	<u>2020</u>
<u>Saint John Apartments, L.P.</u>		
Mortgage payable to PHFA Penn Homes Program. The mortgage is interest free and is payable in full in the event of default, as defined in the loan agreement, within retention period, which ends 2033. If no event of default shall occur during the retention period, all liability shall be released under this mortgage. The mortgage is secured by real estate.	\$ 472,000	\$ 472,000
<u>Catholic Senior Housing Partner, L.P.</u>		
Mortgage payable to PHFA Penn Homes Program. The mortgage is interest free and is payable in full in the event of default, as defined in the loan agreement, within retention period, which ends 2032. If no event of default shall occur during the retention period, all liability shall be released under this mortgage. The mortgage is secured by real estate.	1,909,900	1,909,900
Total	<u>\$ 4,911,900</u>	<u>\$ 4,911,900</u>

10. Due to Related Parties

The balance due to related parties consists of amounts due to Zaccaeus Corporation totaling \$344,365 at June 30, 2022 and \$350,329 at June 30, 2021 for funding of the St. Hedwig's project and amounts due to the Diocese of Scranton totaling \$583,649 at June 30, 2021 for various projects and programs. The remaining balances of \$32,214 at June 30, 2022 and \$28,091 at June 30, 2021 are due to various related parties. The balances are interest free and have no fixed repayment terms.

11. Loans Payable – Related Party

The components of loans payable – related party at June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Loan payable, Diocese of Scranton Institute, payable in monthly installments of \$6,906, including interest at 3.0%, due January 2033.	\$ 751,959	\$ 849,734
Loan payable, Diocese of Scranton Institute, payable in monthly installments of \$1,742, including interest at 3.0%, due January 2029.	172,257	198,803
Loan payable, Diocese of Scranton Institute, payable in monthly installments of \$24,542, including interest at 3.0%, due February 2038.	3,502,355	3,775,324
Total	4,426,571	4,823,861
Less current portion	269,171	229,950
Long-term portion	<u>\$ 4,157,400</u>	<u>\$ 4,593,911</u>

Catholic Social Services of the Diocese of Scranton, Inc.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

Principal maturities on loans payable are as follows:

Year ending June 30	
2023	\$ 269,171
2024	277,359
2025	285,795
2026	294,487
2027	303,444
Thereafter	<u>2,996,315</u>
Total	<u>\$ 4,426,571</u>

12. Net Assets with Donor Restrictions

Donor restricted net assets are available for the following purposes:

	2022	2021
<u>Subject to expenditure for specified purpose</u>		
St. Anthony's Haven Homeless Shelter Renovations	\$ 27,959	\$ -
Hazleton Shelter and Pantry Capital Project	15,277	15,277
Anti-Hunger Efforts (Rectory Set Cook)	9,124	-
Shepherd's Maternity Kitchen Remodel	5,400	11,360
COVID-19 Relief	-	2,940
Bishop's Relief Fund	35,897	39,582
Emergency Food and Shelter Services	3,868	43,227
St. Joseph Food Pantry	1,585	11,544
Carbondale Food Pantry	-	8,234
St. Vincent de Paul Kitchen Food Security Program	-	20,243
St. Vincent de Paul Kitchen	1,475,464	1,000,000
	<u>\$ 1,574,574</u>	<u>\$ 1,152,407</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	2022	2021
<u>Purpose restriction accomplished</u>		
Pathfinders Program	\$ -	\$ 31,435
Hazleton Shelter and Pantry Capital Project	-	99,844
Shepherd's Maternity Education Supplies	-	2,844
Shepherd's Maternity Kitchen Remodel	11,360	640
COVID-19 Relief	2,940	161,916
Emergency Food and Shelter Services	122,605	83,208
St. Joseph Food Pantry	12,468	8,244
Carbondale Food Pantry	8,234	1,766
St. Vincent de Paul Kitchen Food Security Program	20,243	5,063
Bishop's Relief Fund	3,685	-
Anti-Hunger Efforts (Rectory Set Cook)	87,811	-
St. Anthony's Haven Homeless Shelter Renovations	71,281	-
Total net assets released from donor restrictions	<u>\$ 340,627</u>	<u>\$ 394,960</u>

Catholic Social Services of the Diocese of Scranton, Inc.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

13. Pension Plans

CSS sponsors a noncontributory defined benefit pension plan covering substantially all eligible employees. The plan provides defined benefits based on compensation and years of service.

In December, 2017, an amendment was executed to freeze the pension plan effective December 31, 2017. After that date, no further benefits will accrue in the plan.

The unfunded status and significant components of the Plan are as follows:

	<u>2022</u>	<u>2021</u>
Change in benefit obligation:		
Benefit obligation - beginning of year	\$ 15,146,546	\$ 15,068,677
Service cost	26,228	4,848
Interest cost	385,509	351,478
Actuarial loss	260,041	356,750
Change due to assumption changes	(992,401)	222,002
Expense charges	(26,228)	(4,848)
Benefits disbursed	<u>(664,807)</u>	<u>(852,361)</u>
Benefit obligation - end of year	<u>\$ 14,134,888</u>	<u>\$ 15,146,546</u>
Change in plan assets:		
Fair value of plan assets - beginning of year	\$ 12,752,686	\$ 10,356,521
Actual return on plan assets	(1,653,667)	2,779,202
Employer contributions	2,516,396	474,172
Benefits paid (including expense charges)	<u>(691,035)</u>	<u>(857,209)</u>
Fair value of plan assets – end of year	<u>\$ 12,924,380</u>	<u>\$ 12,752,686</u>
Funded status	<u>\$ (1,210,508)</u>	<u>\$ (2,393,860)</u>
Accumulated benefit obligation	<u>\$ 14,134,888</u>	<u>\$ 15,146,546</u>

The measurement date used to determine the pension plan asset and benefit obligation information was June 30.

Components of net periodic pension cost:

	<u>2022</u>	<u>2021</u>
Service cost	\$ 26,228	\$ 4,848
Interest cost	385,509	351,478
Expected return on plan assets	(990,739)	(736,963)
Recognized actuarial loss	<u>121,479</u>	<u>253,766</u>
Total net periodic pension cost	<u>\$ (457,523)</u>	<u>\$ (126,871)</u>

Catholic Social Services of the Diocese of Scranton, Inc.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

Assumptions

Weighted-average assumptions used in computing benefit obligation at June 30, 2022 and 2021 are as follows:

	2022	2021
Discount rate	4.35 %	2.60 %
Expected long-term rate of return on plan assets	7.25 %	7.25 %
Rate of compensation increase	N/A	N/A

Weighted-average assumptions used in measurement of net periodic pension cost for the year:

	2022	2021
Discount rate	2.60%	2.40%
Expected long-term return on plan assets	7.25%	7.25%
Rate of compensation increase	N/A	N/A
Employer contributions	\$ 2,516,396	\$ 474,172
Benefits paid	\$ 664,807	\$ 852,361

A net loss of \$4,518,796 represents the unrecognized component of net periodic pension cost included in net assets without donor restrictions.

Plan Assets

The following table sets forth the asset allocation for plan assets:

	Net Assets	
Asset category:	2022	2021
Equity securities	56 %	61 %
Fixed income	20 %	24 %
General account – Mutual of America	24 %	15 %
Total	100 %	100 %

CSS plan assets are invested among and within various asset classes in order to achieve sufficient diversification in accordance with CSS risk tolerance. This is achieved through the utilization of asset managers and systematic allocation to investment management styles, providing a broad exposure to different segments of the fixed income and equity markets.

The expected long-term rate of return on plan assets assumption of 7.25% was selected using the “building block” approach described by the Actuarial Standards Board in Actuarial Standards of Practice No. 27 - Selection Economic Assumptions for Measuring Pension Obligations. Based on CSS's investment policy for the pension plan in effect as of the beginning of the fiscal year, a best estimate range was determined for both the real rate of return (net of inflation) and for inflation based on CSS's historical 30-year period rolling averages. An average inflation rate within the range equal to 3.50% was selected and added to the real rate of return range to arrive at a best estimate range of 7.13% - 9.89%. The rate of 7.25% within this range was selected.

Catholic Social Services of the Diocese of Scranton, Inc.

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

The composition of Plan assets at June 30, 2022 and 2021, is set forth in the following table:

	2022	2021
General account – Mutual of America	\$ 3,141,557	\$ 1,895,868
Pooled separate accounts:		
Equity funds	5,196,093	5,103,277
Bond funds	2,555,258	3,102,035
Capital appreciation	834,291	1,108,982
International	1,197,181	1,542,524
Total	\$ 12,924,380	\$ 12,752,686

Fair Value of Plan Assets

CSS measures its defined benefit plan investments at fair value on a recurring basis in accordance with accounting principles generally accepted in the United States of America.

Fair value is defined as the price that would be received to sell an asset or the price that would be paid to dispose of a liability in an orderly transaction between market participants at the measurement date. The framework that the authoritative guidance establishes for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy are as follows:

Level 1 – Fair value is based on unadjusted quoted prices in active markets that are accessible to CSS for identical assets. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 – Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets, and other observable inputs.

Level 3 – Fair value would be based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows, and other similar techniques.

The following is a description of the valuation methodologies used for plan assets measured at fair value. There have been no changes in the methodologies used at June 30, 2022 and 2021.

Pooled separate accounts are valued based upon the units of such pooled separate accounts held within the plan at year end multiplied by the respective unit value. The unit value of the pooled separate accounts is based upon significant observable inputs, although they are not based upon quoted market prices in an active market. The underlying investments of the pooled separate accounts consist solely of mutual funds, each of which follows a separate investment strategy as described below. Due to the nature of these securities, there are no unfunded commitments or redemption restrictions.

Catholic Social Services of the Diocese of Scranton, Inc.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

Equity funds – Seeks to provide market-level returns by investing primarily in common stock.

Bond funds – Seeks to provide a high level of current income over time with a secondary objective of preservation of capital by investing primarily in investment grade bonds, U.S. Government and agency securities and zero-coupon securities.

Capital appreciation – Seeks to provide maximum growth by investing primarily in stocks of companies that are believed to have favorable business trends or prospects.

International – Seeks to provide long-term growth capital appreciation by investing in stocks of companies outside the United States evaluated as having above average growth potential.

The general account is carried at amortized cost, or contract value, which is deemed to be fair value for an insurance company general account.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while CSS believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Plan assets at fair value as of June 30:

Assets at Fair Value as of June 30, 2022				
	Level 1	Level 2	Level 3	Total
Pooled separate accounts:				
Equity funds	\$ -	\$ 5,196,093	\$ -	\$ 5,196,093
Bond funds	-	2,555,258	-	2,555,258
Capital appreciation	-	834,291	-	834,291
International	-	1,197,181	-	1,197,181
General account – Mutual of America	-	-	3,141,557	3,141,557
Total	\$ -	\$ 9,782,823	\$ 3,141,557	\$ 12,924,380
Assets at Fair Value as of June 30, 2021				
	Level 1	Level 2	Level 3	Total
Pooled separate accounts:				
Equity funds	\$ -	\$ 5,103,277	\$ -	\$ 5,103,277
Bond funds	-	3,102,035	-	3,102,035
Capital appreciation	-	1,108,982	-	1,108,982
International	-	1,542,524	-	1,542,524
General account – Mutual of America	-	-	1,895,868	1,895,868
Total	\$ -	\$ 10,856,818	\$ 1,895,868	\$ 12,752,686

Catholic Social Services of the Diocese of Scranton, Inc.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

The following table illustrates the changes in fair value for Level 3 investments for the year ended June 30:

General Account	2022	2021
Balance, beginning of year	\$ 1,895,868	\$ 1,412,738
Interest credit	20,328	16,167
Transfers	(600,000)	850,000
Contributions	2,516,396	474,172
Benefit payments to participants and insurance carriers	(664,807)	(852,361)
Fees	(26,228)	(4,848)
Balance, end of year	<u>\$ 3,141,557</u>	<u>\$ 1,895,868</u>

Cash Flows

CSS expects to contribute approximately \$215,000 to its pension plan in 2023.

Benefits expected to be paid by the Plan over the next five years and thereafter are approximately as follows:

Years ending June 30:

2023	\$ 1,564,000
2024	665,000
2025	592,000
2026	1,476,000
2027	603,000
2028 – 2032	4,010,000

Defined Contribution Pension Plan

CSS sponsors a defined contribution plan that is available to substantially all employees. This plan was terminated effective April 1, 2018. As of that date, CSS became an affiliate of the Diocese of Scranton plan. Pension expense was \$91,207 in 2022 and \$101,614 in 2021.

14. Related Party Transactions

CSS operates under the guidance of the Bishop of the Diocese of Scranton. CSS maintains deposits with the Diocese of Scranton Institute. These deposits are in a savings account. Interest earned was \$49,351 in 2022 and \$28,558 in 2021. These deposits are not insured or guaranteed; however, management believes that credit risk related to these deposits is minimal.

Under a project subsidy agreement, CSS pays a project subsidy to St. Francis Commons Associates, L.P. for the operations of St. Francis Commons, an affordable housing project. The agreement is in effect until April 1, 2050. Rent expense was \$256,201 in 2022 and \$231,594 in 2021.

15. Concentration of Credit Risk

Approximately 8% and 12% of support and revenue is derived from grants from Children and Youth Offices in Pennsylvania and Department of Housing and Urban Development, respectively.

Catholic Social Services of the Diocese of Scranton, Inc.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

16. Contingency

CSS participates in state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. CSS is potentially liable for any expenditure which may be disallowed pursuant to the terms of the grant programs.

17. MH Homeless

The MH Homeless program provided 2,355 units of service during 2022 and 2,383 units of service during 2021. The funds used to provide these units of service were obtained from the following sources:

	2022	2021
MH/MR contract	\$ 189,956	\$ 241,426
Rents collected	11,383	8,569
Total	<u>\$ 201,339</u>	<u>\$ 249,995</u>

18. Restricted Deposits and Funded Reserves

Restricted deposits and funded reserves primarily consist of housing project operating and replacement reserves and mortgage escrows. Such reserves are required by various financing authorities, lenders or stipulations in the applicable partnership or operating agreements. The limited partnerships are required to make deposits as stipulated in the various loan and regulatory agreements.

	2022	2021
Mortgage tax escrow	\$ 25,086	\$ 28,951
Mortgage insurance escrow	32,834	47,333
Replacement reserve	354,542	325,563
Total	<u>\$ 412,462</u>	<u>\$ 401,847</u>

19. Risks and Uncertainties

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which CSS operates. It is unknown how long these conditions will last and what the complete financial effect will be to CSS. It is reasonably possible that estimates made in the financial statements have been or will be materially and adversely impacted in the near term as a result of these conditions.

20. Subsequent Events

In October, 2022, CSS filed amended quarterly payroll tax returns for the period from January 1, 2021 to June 30, 2021 to claim Employee Retention Tax Credits in the amount of \$924,052. Claims filed for the credit are subject to review and approval by regulatory agencies.

SUPPLEMENTARY INFORMATION

Catholic Social Services of the Diocese of Scranton, Inc.

Schedule 1 - Consolidating Statement of Financial Position

June 30, 2022

	Assets			Consolidated CSS
	CSS	Affiliates	Eliminations	
Current Assets				
Cash	\$ 1,534,834	\$ 161,120	\$ -	\$ 1,695,954
Deposits with Diocese of Scranton	3,200,007	-	-	3,200,007
Grants receivable	758,915	-	-	758,915
Accounts receivable	4,387	8,553	-	12,940
Prepaid expenses	121,627	20,286	-	141,913
Due from related parties	568,587	-	(45,965)	522,622
Total current assets	6,188,357	189,959	(45,965)	6,332,351
Notes Receivable, Related Parties	3,601,200	-	(625,000)	2,976,200
Restricted Deposits and Funded Reserves	-	412,462	-	412,462
Investments	2,237	-	-	2,237
Property and Equipment, Net	6,073,256	4,049,795	-	10,123,051
Other Assets	56,582	51,049	-	107,631
Total assets	<u>\$ 15,921,632</u>	<u>\$ 4,703,265</u>	<u>\$ (670,965)</u>	<u>\$ 19,953,932</u>
Liabilities and Net Assets				
Current Liabilities				
Demand notes payable	\$ 379,542	\$ -	\$ -	\$ 379,542
Current portion of loans payable - related party	269,171	-	-	269,171
Due to related parties	376,579	45,965	(45,965)	376,579
Accounts payable and accrued expenses	129,911	206,184	-	336,095
Refundable advances	117,723	-	-	117,723
Total current liabilities	1,272,926	252,149	(45,965)	1,479,110
Loans Payable - Related Party	4,157,400	-	-	4,157,400
Mortgages Payable	2,530,000	3,006,900	(625,000)	4,911,900
Accrued Pension Cost	1,210,508	-	-	1,210,508
Other Liabilities	12,640	47,071	-	59,711
Total liabilities	9,183,474	3,306,120	(670,965)	11,818,629
Net Assets				
Without donor restrictions	5,163,584	1,397,145	-	6,560,729
With donor restrictions	1,574,574	-	-	1,574,574
Total net assets	6,738,158	1,397,145	-	8,135,303
Total liabilities and net assets	<u>\$ 15,921,632</u>	<u>\$ 4,703,265</u>	<u>\$ (670,965)</u>	<u>\$ 19,953,932</u>

See notes to financial statements

Catholic Social Services of the Diocese of Scranton, Inc.

Schedule 1 - Consolidating Statement of Financial Position

June 30, 2021

	Assets			Consolidated CSS
	CSS	Affiliates	Eliminations	
Current Assets				
Cash	\$ 1,176,176	\$ 102,299	\$ -	\$ 1,278,475
Deposits with Diocese of Scranton	1,935,888	-	-	1,935,888
Grants receivable	806,938	-	-	806,938
Accounts receivable	20,106	717	-	20,823
Contributions receivable	1,199,968	-	-	1,199,968
Prepaid expenses	107,598	23,059	-	130,657
Due from related parties	654,004	-	(45,965)	608,039
Total current assets	5,900,678	126,075	(45,965)	5,980,788
Notes Receivable, Related Parties	3,601,200	-	(625,000)	2,976,200
Restricted Deposits and Funded Reserves	-	401,847	-	401,847
Investments	1,928	-	-	1,928
Property and Equipment, Net	6,167,269	4,229,396	-	10,396,665
Property Held for Sale	653,526	-	-	653,526
Other Assets	59,108	57,188	-	116,296
Total assets	<u>\$ 16,383,709</u>	<u>\$ 4,814,506</u>	<u>\$ (670,965)</u>	<u>\$ 20,527,250</u>
Liabilities and Net Assets				
Current Liabilities				
Demand notes payable	\$ 906,492	\$ -	\$ -	\$ 906,492
Current portion of loans payable - related party	229,950	-	-	229,950
Due to related parties	962,069	45,965	(45,965)	962,069
Accounts payable and accrued expenses	149,854	169,651	-	319,505
Total current liabilities	2,248,365	215,616	(45,965)	2,418,016
Loans Payable - Related Party	4,593,911	-	-	4,593,911
Mortgages Payable	2,530,000	3,006,900	(625,000)	4,911,900
Accrued Pension Cost	2,393,860	-	-	2,393,860
Other Liabilities	34,256	28,128	-	62,384
Total liabilities	11,800,392	3,250,644	(670,965)	14,380,071
Net Assets				
Without donor restrictions	3,430,910	1,563,862	-	4,994,772
With donor restrictions	1,152,407	-	-	1,152,407
Total net assets	4,583,317	1,563,862	-	6,147,179
Total liabilities and net assets	<u>\$ 16,383,709</u>	<u>\$ 4,814,506</u>	<u>\$ (670,965)</u>	<u>\$ 20,527,250</u>

See notes to financial statements

Catholic Social Services of the Diocese of Scranton, Inc.

Schedule 2 - Consolidating Statement of Activities

Year Ended June 30, 2022

	CSS			Consolidated
	Without Donor			CSS
	Restrictions	Affiliates	Eliminations	Without Donor
				Restrictions
Support and Revenues				
Fees and grants from government agencies	\$ 4,714,686	\$ -	\$ -	\$ 4,714,686
Program revenue	607,573	-	-	607,573
Donations	1,287,022	-	-	1,287,022
United Way	179,121	-	-	179,121
Diocesan Annual Appeal	641,446	-	-	641,446
Diocese of Scranton	2,358,000	-	-	2,358,000
Special events	3,335	-	-	3,335
Rental income	-	509,856	-	509,856
Other income	64,091	6,225	-	70,316
Interest income	49,903	65	-	49,968
Investment income	339	-	-	339
Gain on disposal of property and equipment	43,904	-	-	43,904
Net assets released from restriction	340,627	-	-	340,627
Total support and revenues	<u>10,290,047</u>	<u>516,146</u>	<u>-</u>	<u>10,806,193</u>
Expenses and Losses				
Salaries	2,995,687	78,582	-	3,074,269
Specific assistance to individuals	992,052	-	-	992,052
Professional contracts and services	337,954	-	-	337,954
Employee benefits	578,977	8,064	-	587,041
Pension	(366,316)	-	-	(366,316)
Payroll taxes	222,296	6,538	-	228,834
Depreciation	322,322	185,174	-	507,496
Rent	342,136	-	-	342,136
Utilities and telephone	218,552	102,710	-	321,262
Insurance	306,817	44,745	-	351,562
Interest	179,303	1,445	-	180,748
Food	84,108	-	-	84,108
Maintenance and repairs	144,142	99,138	-	243,280
Grant expense	128,439	-	-	128,439
Program supplies	49,530	-	-	49,530
Staff travel	50,205	-	-	50,205
Special events	9,603	-	-	9,603
Legal and professional fees	456	72,785	-	73,241
Office supplies	19,160	17,416	-	36,576
Dues and subscriptions	29,740	-	-	29,740
Advertising	1,733	4,578	-	6,311
Miscellaneous	45,183	6,429	-	51,612
Equipment	58,190	-	-	58,190
Staff development	5,088	-	-	5,088
Printing	5,656	-	-	5,656
Postage	5,223	-	-	5,223
Property taxes	-	46,574	-	46,574
Bad debt	570	1,072	-	1,642
Amortization	-	7,613	-	7,613
Total expenses and losses	<u>6,766,806</u>	<u>682,863</u>	<u>-</u>	<u>7,449,669</u>
Revenues in excess of (less than) expenses	3,523,241	(166,717)	-	3,356,524
Pension Liability Adjustment	<u>(1,790,567)</u>	<u>-</u>	<u>-</u>	<u>(1,790,567)</u>
Increase (decrease) in net assets	<u>\$ 1,732,674</u>	<u>\$ (166,717)</u>	<u>\$ -</u>	<u>\$ 1,565,957</u>

See notes to financial statements

Catholic Social Services of the Diocese of Scranton, Inc.

Schedule 2 - Consolidating Statement of Activities

Year Ended June 30, 2021

	CSS Without Donor Restrictions	Affiliates	Eliminations	Consolidated CSS Without Donor Restrictions
Support and Revenues				
Fees and grants from government agencies	\$ 4,479,388	\$ -	\$ -	\$ 4,479,388
Program revenue	856,112	-	-	856,112
Donations	855,690	-	-	855,690
United Way	169,188	-	-	169,188
Diocesan Annual Appeal	591,804	-	-	591,804
Diocese of Scranton	73,552	-	-	73,552
Special events	20	-	-	20
Rental income	-	501,203	-	501,203
Other income	32,001	8,728	-	40,729
Interest income	28,003	4,809	-	32,812
Investment income	36,369	-	-	36,369
Loss on disposal of property and equipment	(27,336)	-	-	(27,336)
Net assets released from restriction	394,960	-	-	394,960
Total support and revenues	<u>7,489,751</u>	<u>514,740</u>	<u>-</u>	<u>8,004,491</u>
Expenses and Losses				
Salaries	3,061,435	69,534	-	3,130,969
Specific assistance to individuals	1,047,405	-	-	1,047,405
Professional contracts and services	420,660	-	-	420,660
Employee benefits	639,878	11,926	-	651,804
Pension	(53,493)	-	-	(53,493)
Payroll taxes	346,657	4,616	-	351,273
Depreciation	450,528	191,740	-	642,268
Rent	313,175	-	-	313,175
Utilities and telephone	234,016	86,111	-	320,127
Insurance	310,706	40,050	-	350,756
Interest	248,052	-	-	248,052
Food	78,420	-	-	78,420
Maintenance and repairs	147,990	89,304	-	237,294
Grant expense	112,646	-	-	112,646
Program supplies	39,562	-	-	39,562
Staff travel	28,629	-	-	28,629
Special events	8,242	-	-	8,242
Legal and professional fees	1,870	53,518	-	55,388
Office supplies	14,444	17,610	-	32,054
Dues and subscriptions	28,295	-	-	28,295
Advertising	-	6,883	-	6,883
Miscellaneous	104,228	3,562	-	107,790
Equipment	16,591	-	-	16,591
Staff development	2,504	-	-	2,504
Printing	5,688	-	-	5,688
Postage	9,071	-	-	9,071
Property taxes	-	44,077	-	44,077
Bad debt	323	2,208	-	2,531
Amortization	-	5,202	-	5,202
Total expenses and losses	<u>7,617,522</u>	<u>626,341</u>	<u>-</u>	<u>8,243,863</u>
Expenses in excess of revenues	(127,771)	(111,601)	-	(239,372)
Pension Liability Adjustment	<u>1,717,253</u>	<u>-</u>	<u>-</u>	<u>1,717,253</u>
Increase (decrease) in net assets	<u>\$ 1,589,482</u>	<u>\$ (111,601)</u>	<u>\$ -</u>	<u>\$ 1,477,881</u>

See notes to financial statements

Catholic Social Services of the Diocese of Scranton, Inc.

Schedule 3 - Consolidating Statement of Cash Flows

Year Ended June 30, 2022

	CSS	Affiliates	Eliminations	Consolidated CSS
Cash Flows from Operating Activities				
Increase (decrease) in net assets	\$ 2,154,841	\$ (166,717)	\$ -	\$ 1,988,124
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation	322,322	185,174	-	507,496
Amortization	-	7,613	-	7,613
Gain on disposal of property and equipment	(43,904)	-	-	(43,904)
Unrealized and realized gains	(293)	-	-	(293)
Pension liability adjustment	1,790,567	-	-	1,790,567
Changes in assets and liabilities:				
Grants receivable	48,023	-	-	48,023
Accounts receivable	15,719	(7,836)	-	7,883
Contributions receivable	1,199,968	-	-	1,199,968
Prepaid expenses	(14,029)	2,773	-	(11,256)
Other assets	2,526	(1,474)	-	1,052
Due from/to related parties	(500,073)	-	-	(500,073)
Accrued pension cost	(2,973,919)	-	-	(2,973,919)
Accounts payable and accrued expenses	(19,943)	36,533	-	16,590
Other liabilities	(21,616)	2,605	-	(19,011)
Refundable advances	117,723	16,338	-	134,061
Net cash provided by operating activities	<u>2,077,912</u>	<u>75,009</u>	<u>-</u>	<u>2,152,921</u>
Cash Flows from Investing Activities				
Change in restricted deposits and funded reserves	-	(10,615)	-	(10,615)
Change in deposits with Diocese of Scranton	(1,264,119)	-	-	(1,264,119)
Proceeds from sale of property and equipment	704,070	-	-	704,070
Purchase of property and equipment	(234,949)	(5,573)	-	(240,522)
Purchase of investments	(16)	-	-	(16)
Net cash used in investing activities	<u>(795,014)</u>	<u>(16,188)</u>	<u>-</u>	<u>(811,202)</u>
Cash Flows from Financing Activities				
Change in demand notes payable	(526,950)	-	-	(526,950)
Repayment of loans payable - related party	(397,290)	-	-	(397,290)
Net cash used in financing activities	<u>(924,240)</u>	<u>-</u>	<u>-</u>	<u>(924,240)</u>
Net increase in cash	358,658	58,821	-	417,479
Cash, Beginning of Year	<u>1,176,176</u>	<u>102,299</u>	<u>-</u>	<u>1,278,475</u>
Cash, End of Year	<u>\$ 1,534,834</u>	<u>\$ 161,120</u>	<u>\$ -</u>	<u>\$ 1,695,954</u>
Supplemental Disclosure of Cash Flow Information				
Interest Expense	<u>\$ 179,303</u>	<u>\$ 1,445</u>	<u>\$ -</u>	<u>\$ 180,748</u>

See notes to financial statements

Catholic Social Services of the Diocese of Scranton, Inc.

Schedule 3 - Consolidating Statement of Cash Flows

Year Ended June 30, 2021

	CSS	Affiliates	Eliminations	Consolidated CSS
Cash Flows from Operating Activities				
Increase (decrease) in net assets	\$ 1,441,798	\$ (111,601)	\$ -	\$ 1,330,197
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Depreciation	450,528	191,740	-	642,268
Amortization	-	5,202	-	5,202
Loss on disposal of property and equipment	27,336	-	-	27,336
Unrealized and realized gains	(22,152)	-	-	(22,152)
Pension liability adjustment	(1,717,253)	-	-	(1,717,253)
Changes in assets and liabilities:				
Grants receivable	269,704	-	-	269,704
Accounts receivable	(2,286)	2,362	-	76
Contributions receivable	826,577	-	-	826,577
Prepaid expenses	(67,916)	(1,494)	-	(69,410)
Other assets	4,355	3,993	-	8,348
Due from/to related parties	(948,698)	9,750	-	(938,948)
Accrued pension cost	(601,043)	-	-	(601,043)
Accounts payable and accrued expenses	(426,998)	(3,864)	-	(430,862)
Other liabilities	(5,120)	(4,224)	-	(9,344)
Refundable advances	(190,632)	(165)	-	(190,797)
Net cash (used in) provided by operating activities	(961,800)	91,699	-	(870,101)
Cash Flows from Investing Activities				
Change in restricted deposits and funded reserves	-	(40,576)	-	(40,576)
Change in deposits with Diocese of Scranton	(238,041)	-	-	(238,041)
Proceeds from sale of property and equipment	952,744	-	-	952,744
Purchase of property and equipment	(167,527)	(5,400)	-	(172,927)
Purchase of investments	(13,995)	-	-	(13,995)
Sale of investments	199,854	-	-	199,854
Net cash provided by (used in) investing activities	733,035	(45,976)	-	687,059
Cash Flows from Financing Activities				
Change in demand notes payable	(43,672)	-	-	(43,672)
Repayment of loans payable - related party	(173,423)	-	-	(173,423)
Net cash used in financing activities	(217,095)	-	-	(217,095)
Net (decrease) increase in cash	(445,860)	45,723	-	(400,137)
Cash, Beginning of Year	1,622,036	56,576	-	1,678,612
Cash, End of Year	\$ 1,176,176	\$ 102,299	\$ -	\$ 1,278,475
Supplemental Disclosure of Cash Flow Information				
Interest Expense	\$ 248,052	\$ -	\$ -	\$ 248,052

See notes to financial statements

**Catholic Social Services
of the Diocese of Scranton, Inc.**

Schedule of Expenditures of Federal Awards
and Supplementary Information

June 30, 2022

Catholic Social Services of the Diocese of Scranton, Inc.

Table of Contents
June 30, 2022

	<u>Page</u>
Schedule of Expenditures of Federal Awards	1
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	3
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	5
Schedule of Findings and Questioned Costs	8
Independent Auditor's Report on Supplementary Information	10
Supplementary Information	
Lackawanna County Office of Catholic Social Services Schedules – MH Homeless Program:	
Summary of Expenditures and Revenue Report	11
Reconciliation of Agency Reported Expenses and Revenues to Audited Expenses and Revenues	12
Schedule of Actual Costs Per Unit of Service Provided	13
Notes to the Schedule of Expenditures of Federal Awards and Supplementary Information	14
Independent Accountant's Report on Indirect Cost Allocation Plan	16

Catholic Social Services of the Diocese Of Scranton, Inc.

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Program Period	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Passed through Monroe County					
Community Services Block Grant	93.569	N/A	N/A	01/01/21 - 12/31/21	\$ 3,420
Community Services Block Grant	93.569	N/A	N/A	01/01/22 - 12/31/22	6,604
					<u>10,024</u>
Passed through Lackawanna County Department of Human Services					
Temporary Assistance for Needy Families	93.558	N/A	N/A	07/01/21 - 06/30/22	51,038
Passed through Pennsylvania Department of Human Services					
Passed through Luzerne County Children and Youth					
Temporary Assistance for Needy Families	93.558	N/A	N/A	07/01/21 - 12/31/21	68,950
Temporary Assistance for Needy Families	93.558	N/A	N/A	01/01/22 - 12/31/22	101,760
Passed through Women in Need					
Temporary Assistance for Needy Families	93.558	N/A	N/A	07/01/21 - 06/30/22	50,605
					<u>272,353</u>
Total 477 Cluster					<u>282,377</u>
Passed through Pennsylvania Department of Human Services					
Refugee and Entrant Assistance-State Administered Programs	93.566	SAP 4100064978	N/A	10/01/20 - 09/30/21	5,470
Refugee and Entrant Assistance-State Administered Programs	93.566	SAP 4100064978	N/A	10/01/21 - 09/30/22	49,874
					<u>55,344</u>
Total U.S. Department of Health and Human Services					<u>337,721</u>
U.S. DEPT OF HOUSING AND URBAN DEVELOPMENT					
Continuum of Care (COC) Program	14.267	N/A	N/A	07/01/21 - 06/30/22	407,506
Continuum of Care (COC) Program	14.267	N/A	N/A	02/01/21 - 01/31/22	55,111
Continuum of Care (COC) Program	14.267	N/A	N/A	02/01/22 - 01/31/23	38,850
Continuum of Care (COC) Program	14.267	N/A	N/A	03/01/21 - 02/28/22	133,747
Continuum of Care (COC) Program	14.267	N/A	N/A	03/01/22 - 02/28/23	84,267
Continuum of Care (COC) Program	14.267	N/A	N/A	06/01/21 - 05/31/22	162,167
Continuum of Care (COC) Program	14.267	N/A	N/A	11/01/20 - 10/31/21	16,200
Continuum of Care (COC) Program	14.267	N/A	N/A	11/01/21 - 10/31/22	37,427
Continuum of Care (COC) Program	14.267	N/A	N/A	05/01/21 - 04/30/22	203,194
Continuum of Care (COC) Program	14.267	N/A	N/A	05/01/22 - 04/30/23	39,679
Continuum of Care (COC) Program	14.267	N/A	N/A	10/01/20 - 09/30/21	51,202
Continuum of Care (COC) Program	14.267	N/A	N/A	10/01/21 - 09/30/22	131,085
					<u>1,360,435</u>
Passed through Luzerne County, Office of Economic and Community Development					
Emergency Solutions Grants Program	14.231	PS-21-05-05	N/A	01/01/21 - 12/31/21	52,570
Emergency Solutions Grants Program	14.231	PS-22-05-05	N/A	01/01/22 - 12/31/22	20,212
Passed through City of Scranton, Office of Economic and Community Development					
Emergency Solutions Grants Program	14.231	19-2476	N/A	01/01/21 - 12/31/21	36,441
Emergency Solutions Grants Program	14.231	20-2532	N/A	01/01/22 - 12/31/22	8,559
					<u>117,782</u>
Passed through City of Hazleton, Office of Economic and Community Development					
Community Development Block Grants/Entitlement Grants	14.218	N/A	N/A	01/01/22 - 12/31/22	5,917
Passed through City of Scranton, Office of Economic and Community Development					
Community Development Block Grants/Entitlement Grants	14.218	N/A	N/A	01/01/21 - 12/31/21	93,672
Passed through Luzerne County, Office of Community Development					
Community Development Block Grants/Entitlement Grants - COVID-19	14.218	N/A	N/A	01/01/21 - 12/31/21	33,004
Community Development Block Grants/Entitlement Grants	14.218	PS-22-05-05	N/A	01/01/22 - 12/31/22	96,694
Community Development Block Grants/Entitlement Grants	14.218	PS-21-05-05	N/A	01/01/21 - 12/31/21	55,672
Community Development Block Grants/Entitlement Grants	14.218	PS-21-05-01	N/A	01/01/21 - 12/31/21	1,634
Community Development Block Grants/Entitlement Grants	14.218	PS-22-05-01	N/A	01/01/22 - 12/31/22	24,187
Total CDBG - Entitlement Grants Cluster					<u>310,780</u>
Passed through Luzerne County Housing Authority					
Resident Opportunity And Supportive Services - Service Coordinators	14.870	N/A	N/A	05/01/21 - 10/31/22	53,612
Resident Opportunity And Supportive Services - Service Coordinators	14.870	N/A	N/A	05/01/22 - 10/31/22	9,294
					<u>62,906</u>
Total U.S. Department of Housing and Urban Development					<u>\$ 1,851,903</u>

See notes to the Schedule of Expenditures of Federal Awards

Catholic Social Services of the Diocese Of Scranton, Inc.

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Program Period	Federal Expenditures
U.S. DEPARTMENT OF TREASURY					
Passed through City of Wilkes-Barre					
Coronavirus State and Local Fiscal Recovery Funds - COVID-19	21.027	N/A	N/A	01/01/22 - 06/30/22	\$ 15,753
Passed through City of Scranton					
Emergency Rental Assistance Program - COVID-19	21.023	N/A	N/A	01/01/21 - 12/31/21	4,200
Total U.S. Department of Treasury					19,953
U.S. DEPARTMENT OF VETERANS AFFAIRS					
VA Homeless Providers Grant and Per Diem Program	64.024	N/A	N/A	10/01/20 - 09/30/21	164,274
VA Homeless Providers Grant and Per Diem Program	64.024	N/A	N/A	10/01/21 - 09/30/22	410,918
Total U.S. Department of Veterans Affairs					575,192
U.S. DEPARTMENT OF HOMELAND SECURITY					
Passed through the United Way of Lackawanna County					
Emergency Food and Shelter National Board Program	97.024	N/A	N/A	02/01/21 - 01/31/22	910
Emergency Food and Shelter National Board Program	97.024	N/A	N/A	02/01/22 - 01/31/23	27,350
Emergency Food and Shelter National Board Program - COVID-19	97.024	N/A	N/A	11/01/21 - 04/23/23	2,940
Emergency Food and Shelter National Board Program - COVID-19	97.024	N/A	N/A	11/01/21 - 04/23/23	29,122
Passed through the United Way of Wyoming Valley					
Emergency Food and Shelter National Board Program - COVID-19	97.024	N/A	N/A	11/01/21 - 04/23/23	41,725
Emergency Food and Shelter National Board Program	97.024	N/A	N/A	02/01/21 - 01/31/22	32,886
Emergency Food and Shelter National Board Program	97.024	N/A	N/A	02/01/22 - 01/31/23	55,578
Total U.S. Department of Homeland Security					190,511
Total Expenditures of Federal Awards					\$ 2,975,280

See notes to the Schedule of Expenditures of Federal Awards



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**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Board of Directors
Catholic Social Services of
the Diocese of Scranton, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the consolidated financial statements of Catholic Social Services of the Diocese of Scranton, Inc., which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements and have issued our report thereon dated March 21, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Catholic Social Services of the Diocese of Scranton, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Catholic Social Services of the Diocese of Scranton, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Catholic Social Services of the Diocese of Scranton, Inc.'s internal control.

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

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

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To the Board of Directors
Catholic Social Services of
the Diocese of Scranton, Inc.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Catholic Social Services of the Diocese of Scranton, Inc.'s consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McGuire Meibel Quinn
+ Associates, P.C.

Scranton, Pennsylvania
March 21, 2023



McGrail Merkel Quinn & Associates, P.C.

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Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

To the Board of Directors
Catholic Social Services of
the Diocese of Scranton, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Catholic Social Services of the Diocese of Scranton, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Catholic Social Services of the Diocese of Scranton, Inc.'s major federal programs for the year ended June 30, 2022. Catholic Social Services of the Diocese of Scranton, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Catholic Social Services of the Diocese of Scranton, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Catholic Social Services of the Diocese of Scranton, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Catholic Social Services of the Diocese of Scranton, Inc.'s compliance with the compliance requirements referred to above.

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To the Board of Directors
Catholic Social Services of
the Diocese of Scranton Inc.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Catholic Social Services of the Diocese of Scranton, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Catholic Social Services of the Diocese of Scranton, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Catholic Social Services of the Diocese of Scranton, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Catholic Social Services of the Diocese of Scranton, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Catholic Social Services of the Diocese of Scranton, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Catholic Social Services of the Diocese of Scranton, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

To the Board of Directors
Catholic Social Services of
the Diocese of Scranton, Inc.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the consolidated financial statements of Catholic Social Services of the Diocese of Scranton, Inc. as of and for the year ended June 30, 2022, and have issued our report thereon dated March 21, 2023, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.




Scranton, Pennsylvania
March 21, 2023

CATHOLIC SOCIAL SERVICES OF THE DIOCESE OF SCRANTON, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2022

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None Reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None Reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.267	U.S. Department of Housing and Urban Development, Continuum of Care (COC) Program
14.218	Community Development Block Grants/Entitlement Grants

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

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

CATOLIC SOCIAL SERVICES OF THE DIOCESE OF SCRANTON, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (CONTINUED)

YEAR ENDED JUNE 30, 2022

II. FINANCIAL STATEMENT FINDINGS

No matters were reported.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.



McGrail Merkel Quinn & Associates, P.C.

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Independent Auditor's Report on Supplementary Information

To the Board of Directors
Catholic Social Services of
the Diocese of Scranton, Inc.

We have audited the consolidated financial statements of Catholic Social Services of the Diocese of Scranton, Inc. as of and for the year ended June 30, 2022 and have issued our report thereon dated March 21, 2023, which contains an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 11 to 13 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

McGrail Merkel Quinn
& Associates, P.C.

Scranton, Pennsylvania
March 21, 2023

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SUPPLEMENTARY INFORMATION

Catholic Social Services of the Diocese of Scranton, Inc.

Lackawanna County Office of Catholic Social Services

Summary of Expenditures and Revenue Report - MH Homeless Program

Year Ended June 30, 2022

Expenditures

Salaries	\$ 108,789
Rent	32,925
Indirect costs	25,704
Employee benefits	13,021
Pension	9,482
Payroll taxes	10,636
Program supplies	3,097
Insurance	7,325
Utilities and telephone	311
Maintenance and repairs	431
Food	804
Professional contracts and services	428
Dues and subscriptions	1,545
Office supplies	1,371
Miscellaneous	359
Staff development	247
Interest expense	43
Printing	341
	<hr/>
Total expenditures	216,859

Revenues

Support and revenues:

Fees and grants from governmental agencies	189,956
Program fees	11,383
	<hr/>
Total revenues	201,339
	<hr/>
Expenses over revenues	\$ (15,520)

See notes to supplementary information

Catholic Social Services of the Diocese of Scranton, Inc.

Lackawanna County Office of Catholic Social Services

Reconciliation of Agency Reported Expenses and Revenues

to Audited Expenses and Revenues - MH Homeless Program

Year Ended June 30, 2022

	Total MH Homeless	Total Non MH	Total
Expenses			
Salaries	\$ 108,789	\$ 569,295	\$ 678,084
Rent	32,925	380,330	413,255
Indirect costs	25,704	134,510	160,214
Employee benefits	13,021	80,594	93,615
Pension	9,482	54,133	63,615
Payroll taxes	10,636	55,766	66,402
Program supplies	3,097	6,392	9,489
Insurance	7,325	40,860	48,185
Utilities and telephone	311	9,306	9,617
Maintenance and repairs	431	14,619	15,050
Food	804	46,575	47,379
Professional contracts and services	428	14,532	14,960
Dues and subscriptions	1,545	2,321	3,866
Office supplies	1,371	3,358	4,729
Miscellaneous	359	12,464	12,823
Staff development	247	539	786
Housing assistance	-	434,276	434,276
Interest expense	43	1,454	1,497
Printing	341	1,485	1,826
Staff travel	-	9,711	9,711
Depreciation	-	2,615	2,615
Total expenses	216,859	1,875,135	2,091,994
Revenues			
Support and revenues:			
Fees and grants from governmental agencies	189,956	1,522,270	1,712,226
Program fees	11,383	278,366	289,749
Donations	-	24,232	24,232
United Way	-	20,751	20,751
Diocesan Annual Appeal	-	3,447	3,447
Other	-	1,878	1,878
Total revenues	201,339	1,850,944	2,052,283
Expenses over revenues	\$ (15,520)	\$ (24,191)	\$ (39,711)

See notes to supplementary information

Catholic Social Services of the Diocese of Scranton, Inc.

Lackawanna County Office of Catholic Social Services
Schedule of Actual Costs Per Unit of Service Provided
Year Ended June 30, 2022

	Total Expenditures Title 4300 Costs	Units of Service Provided	Actual Title 4300 Costs Per Unit of Service Provided
MH Homeless	\$ 216,859	2,355	\$ 92

See notes to supplementary information

Catholic Social Services of the Diocese of Scranton, Inc.

Notes to Schedule of Expenditures of Federal Awards and Supplementary Information
June 30, 2022

1. Nature of Operations

Catholic Social Services of the Diocese of Scranton, Inc.

Catholic Social Services of the Diocese of Scranton, Inc. ("CSS") is a nonprofit organization located in Northeastern Pennsylvania. CSS is comprised of six service centers: The Wyoming Valley Office, the Greater Hazleton Area Office, the Lackawanna County Office, St. Vincent DePaul Soup Kitchen, the Pike County Office, and the Monroe County Office. CSS provides direct services and self-help assistance to needy individuals.

CSS serves as a developer for several limited partnerships. As such, CSS receives a fee for those services.

Lackawanna County Office of Catholic Social Services

The Lackawanna County Office of Catholic Social Services, a division of Catholic Social Services of the Diocese of Scranton, Inc., (the "Agency"), is a nonprofit organization. The Agency provides direct services and self-help assistance to needy individuals within Lackawanna County.

2. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of CSS under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of CSS, it is not intended to and does not present the financial position, changes in net assets or cash flows of CSS.

3. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

4. Indirect Cost Rate

CSS has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Catholic Social Services of the Diocese of Scranton, Inc.

Notes to Schedule of Expenditures of Federal Awards and Supplementary Information
June 30, 2022

5. Supplementary Information

The accompanying summary of expenditures and revenue report and reconciliation of agency reported expenses and revenues to audited expenses and revenues have been prepared in the format required by the Commonwealth of Pennsylvania, Department of Human Services, Title 4300 Regulations using the accrual basis of accounting.

There were no adjustments necessary to convert the accompanying summary and reconciliation from accounting principles generally accepted in the United States of America to the required format.

The Lackawanna County Office of Catholic Social Services maintains a separate cost center for the MH Homeless program. All expenditures which can be specifically assigned to a particular program are shown as direct expenses. However, certain expenditures cannot be identified with a specific program but are incurred in the overall operation of the Lackawanna County Office of Catholic Social Services; therefore, it is necessary to allocate these expenditures to each program based on an indirect cost allocation plan.

6. Reconciliation of Agency Reported Expenditures to Audited Expenditures

The column "Total MH Homeless" on page 12 includes those expenditures which are submitted to the County on the expenditure and income reports and the pension adjustment.

The column "Total Non MH" on page 12 includes those expenditures incurred in conducting other programs and services at the Lackawanna County Office of Catholic Social Services, but not required to be reported on the County expenditure and income reports.

7. MH Homeless Direct Care Workers' Salaries and Benefits

Direct care workers' salaries and benefits in the MH Homeless program were \$141,928 in 2022.



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Independent Accountant's Report on Indirect Cost Allocation Plan

To the Board of Directors
 Catholic Social Services of
 the Diocese of Scranton, Inc.

We have examined the methods used by Catholic Social Services of the Diocese of Scranton, Inc. to allocate indirect costs as required by county contracts, consistent with the Commonwealth of Pennsylvania, Department of Human Services, Title 4300 Regulations for the year ended June 30, 2022. Catholic Social Services of the Diocese of Scranton, Inc.'s management is responsible for the indirect cost allocation plan. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence supporting the indirect cost allocation plan and performing such other procedures as we consider necessary in the circumstances. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on Catholic Social Services of the Diocese of Scranton, Inc.'s compliance with specified requirements.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

In our opinion, the indirect cost allocation plan of Catholic Social Services of the Diocese of Scranton, Inc. presents, in all material respects, an equitable distribution of costs for the year ended June 30, 2022 in conformity with the Commonwealth of Pennsylvania, Department of Human Services, Title 4300 Regulations.

McGrail Merkel Quinn
+ Associates, P.C.

Scranton, Pennsylvania
 March 21, 2023



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