

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

Consolidated Financial Statements

June 30, 2023 and 2022

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

---

## Table of Contents

June 30, 2023 and 2022

	<u><b>Page</b></u>
<b>Independent Auditor's Report</b>	1
<b>Financial Statements</b>	
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
<b>Supplementary Information</b>	
<u>Schedule 1</u> - Consolidating Statement of Financial Position	31
<u>Schedule 2</u> - Consolidating Statement of Activities	33
<u>Schedule 3</u> - Consolidating Statement of Cash Flows	35



**McGrail Merkel Quinn & Associates, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Clay Avenue Professional Plaza  
1173 Clay Avenue  
Scranton, PA 18510  
570 961-0345  
Fax: 570 961-8650  
mmq.com

## **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, 2023 and 2022, 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, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our 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.



RSM US Alliance provides its members with access to resources of RSM US LLP. RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each are separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International. Visit [rsmus.com/about-us](http://rsmus.com/about-us) for more information regarding RSM US LLP and RSM International. The RSM™ logo is used under license by RSM US LLP. RSM US Alliance products and services are proprietary to RSM US LLP.

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 20, 2024 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.

*McGuire Messel Quinn*  
*+ Associates, P.C.*

Scranton, Pennsylvania  
March 20, 2024

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

## Consolidated Statements of Financial Position

June 30, 2023 and 2022

	<b>Assets</b>	
	<b>2023</b>	<b>2022</b>
<b>Current Assets</b>		
Cash	\$ 1,698,389	\$ 1,695,954
Deposits with Diocese of Scranton	3,527,609	3,200,007
Grants receivable	889,296	758,915
Accounts receivable	7,955	12,940
Employee retention credit receivable	1,023,210	-
Prepaid expenses	143,685	141,913
Operating lease right-of-use assets, current	50,887	-
Due from related parties	392,190	522,622
Total current assets	7,733,221	6,332,351
<b>Notes Receivable, Related Parties</b>	1,351,200	2,976,200
<b>Restricted Deposits and Funded Reserves</b>	-	412,462
<b>Investments</b>	-	2,237
<b>Property and Equipment, Net</b>	6,086,747	10,123,051
<b>Operating lease right-of-use assets, non-current</b>	111,864	-
<b>Other Assets</b>	58,222	107,631
Total assets	<u>\$ 15,341,254</u>	<u>\$ 19,953,932</u>
	<b>Liabilities and Net Assets</b>	
<b>Current Liabilities</b>		
Demand notes payable	\$ 282,605	\$ 379,542
Current portion of loans payable - related party	277,634	269,171
Operating lease liabilities, current	50,660	-
Due to related parties	920,729	376,579
Accounts payable and accrued expenses	379,530	336,095
Refundable advances	66,385	117,723
Total current liabilities	1,977,543	1,479,110
<b>Loans Payable - Related Party</b>	3,870,703	4,157,400
<b>Mortgages Payable</b>	850,000	4,911,900
<b>Accrued Pension Cost</b>	1,027,701	1,210,508
<b>Operating lease liabilities, non-current</b>	113,630	-
<b>Other Liabilities</b>	-	59,711
Total liabilities	7,839,577	11,818,629
<b>Net Assets</b>		
Without donor restrictions	5,970,015	6,560,729
With donor restrictions	1,531,662	1,574,574
Total net assets	7,501,677	8,135,303
Total liabilities and net assets	<u>\$ 15,341,254</u>	<u>\$ 19,953,932</u>

See notes to financial statements

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

## Consolidated Statements of Activities

Years Ended June 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenues</b>						
Fees and grants from government agencies	\$ 4,980,948	\$ 10,000	\$ 4,990,948	\$ 4,714,686	\$ 87,308	\$ 4,801,994
Program revenue	682,742	-	682,742	607,573	-	607,573
Donations	1,092,788	14,662	1,107,450	1,287,022	675,486	1,962,508
United Way	162,634	-	162,634	179,121	-	179,121
Diocesan Annual Appeal	674,854	-	674,854	641,446	-	641,446
Diocese of Scranton	-	-	-	2,358,000	-	2,358,000
Special events	16,580	-	16,580	3,335	-	3,335
Rental income	180,714	-	180,714	509,856	-	509,856
Other income	982,525	-	982,525	70,316	-	70,316
Interest income	188,653	-	188,653	49,968	-	49,968
Investment income	318	-	318	339	-	339
Gain on disposal of property and equipment	140,507	-	140,507	43,904	-	43,904
Net assets released from restriction	67,574	(67,574)	-	340,627	(340,627)	-
Total support and revenues	9,170,837	(42,912)	9,127,925	10,806,193	422,167	11,228,360
<b>Expenses and Losses</b>						
Program	5,929,574	-	5,929,574	6,209,851	-	6,209,851
Management and general	1,677,911	-	1,677,911	1,196,831	-	1,196,831
Fundraising	59,006	-	59,006	42,987	-	42,987
Total expenses and losses	7,666,491	-	7,666,491	7,449,669	-	7,449,669
Revenues in excess of (less than) expenses	1,504,346	(42,912)	1,461,434	3,356,524	422,167	3,778,691
<b>Pension Liability Adjustment</b>	29,248	-	29,248	(1,790,567)	-	(1,790,567)
Increase (decrease) in net assets	1,533,594	(42,912)	1,490,682	1,565,957	422,167	1,988,124
<b>Net Assets, Beginning</b>	6,560,729	1,574,574	8,135,303	4,994,772	1,152,407	6,147,179
Transfer of partnership interests	(2,124,308)	-	(2,124,308)	-	-	-
<b>Net Assets, Ending</b>	<u>\$ 5,970,015</u>	<u>\$ 1,531,662</u>	<u>\$ 7,501,677</u>	<u>\$ 6,560,729</u>	<u>\$ 1,574,574</u>	<u>\$ 8,135,303</u>

See notes to financial statements

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

## Consolidated Statement of Functional Expenses

Year Ended June 30, 2023

	Program Services						Total Program Services	Support Services		Total
	Adult and Family Services	Housing and Homeless Services	Material Assistance	Immigration Services	Adoption and Fostercare	Youth Services		Management and General	Fundraising	
Salaries	\$ 35,329	\$ 1,444,477	\$ 532,488	\$ 105,560	\$ 483	\$ 500,747	\$ 2,619,084	\$ 574,703	\$ 11,442	\$ 3,205,229
Specific assistance to individuals	22,224	927,356	201,336	61,310	-	-	1,212,226	731	-	1,212,957
Professional contracts and services	102,007	26,940	26,054	309	1	13,056	168,367	305,208	-	473,575
Employee benefits	10,216	223,263	97,790	13,709	87	100,356	445,421	113,933	2,829	562,183
Pension	1,540	26,573	15,230	(64)	(21)	11,632	54,890	(126,185)	-	(71,295)
Payroll taxes	2,838	116,814	42,854	8,532	39	40,199	211,276	42,344	916	254,536
Depreciation	-	75,539	49,988	-	-	3,677	129,204	256,062	-	385,266
Rent	-	274,734	6,312	1,261	-	39,594	321,901	12,713	-	334,614
Utilities and telephone	21	66,776	60,236	930	22	12,366	140,351	140,013	306	280,670
Insurance	32	25,823	16,699	-	48	503	43,105	80,720	-	123,825
Interest	46	6,123	1,995	248	-	5,095	13,507	148,969	-	162,476
Food	-	52,884	38,131	-	-	-	91,015	-	-	91,015
Maintenance and repairs	-	74,501	42,778	245	-	-	117,524	59,293	-	176,817
Grant expense	-	100,287	-	-	-	-	100,287	-	-	100,287
Program supplies	1,091	23,891	24,041	300	-	657	49,980	2,474	-	52,454
Staff travel	2,366	18,514	3,951	1,761	-	40,468	67,060	720	140	67,920
Special events	-	-	-	-	-	-	-	-	41,794	41,794
Legal and professional fees	-	24,159	-	-	-	-	24,159	1,609	32	25,800
Office supplies	88	7,413	2,715	715	-	1,501	12,432	5,015	287	17,734
Dues and subscriptions	-	834	944	540	-	125	2,443	26,472	-	28,915
Advertising	-	787	209	3,029	-	-	4,025	66	140	4,231
Miscellaneous	-	20,722	1,277	121	-	139	22,259	18,901	509	41,669
Equipment	2,163	3,698	1,998	1,559	-	2,831	12,249	7,162	459	19,870
Staff development	-	2,327	731	522	-	40,400	43,980	2,629	-	46,609
Printing	-	1,856	807	300	-	1,286	4,249	1,671	-	5,920
Postage	-	354	1,912	408	-	6	2,680	2,688	152	5,520
Property taxes	-	15,900	-	-	-	-	15,900	-	-	15,900
Total Expenses	<u>\$ 179,961</u>	<u>\$ 3,562,545</u>	<u>\$ 1,170,476</u>	<u>\$ 201,295</u>	<u>\$ 659</u>	<u>\$ 814,638</u>	<u>\$ 5,929,574</u>	<u>\$ 1,677,911</u>	<u>\$ 59,006</u>	<u>\$ 7,666,491</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						Total Program Services	Support Services		Total
	Adult and Family Services	Housing and Homeless Services	Material Assistance	Immigration Services	Adoption and Fostercare	Youth 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	<u>\$ 295,158</u>	<u>\$ 4,091,920</u>	<u>\$ 1,096,908</u>	<u>\$ 86,834</u>	<u>\$ 6,928</u>	<u>\$ 632,103</u>	<u>\$ 6,209,851</u>	<u>\$ 1,196,831</u>	<u>\$ 42,987</u>	<u>\$ 7,449,669</u>

See notes to financial statements

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

## Consolidated Statements of Cash Flows

Years Ended June 30, 2023 and 2022

	<b>2023</b>	<b>2022</b>
<b>Cash Flows from Operating Activities</b>		
Increase in net assets	\$ 1,490,682	\$ 1,988,124
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	385,266	507,496
Amortization	-	7,613
Gain on disposal of property and equipment	(140,507)	(43,904)
Unrealized and realized gains	(294)	(293)
Pension liability adjustment	(29,248)	1,790,567
Noncash lease expense	1,539	-
Changes in assets and liabilities:		
Grants receivable	(130,381)	48,023
Accounts receivable	(10,903)	7,883
Employee retention credit receivable	(1,023,210)	-
Contributions receivable	-	1,199,968
Prepaid expenses	(41,446)	(11,256)
Other assets	(6,358)	1,052
Due from/to related parties	515,257	(500,073)
Accrued pension cost	(153,559)	(2,973,919)
Accounts payable and accrued expenses	314,899	16,590
Other liabilities	1,368	(19,011)
Refundable advances	(67,676)	134,061
Net cash provided by operating activities	<u>1,105,429</u>	<u>2,152,921</u>
<b>Cash Flows from Investing Activities</b>		
Change in restricted deposits and funded reserves	(57,202)	(10,615)
Change in deposits with Diocese of Scranton	(327,602)	(1,264,119)
Proceeds from sale of property and equipment	149,507	704,070
Purchase of property and equipment	(357,516)	(240,522)
Purchase of investments	-	(16)
Proceeds from sale of investments	<u>2,531</u>	<u>-</u>
Net cash used in investing activities	<u>(590,282)</u>	<u>(811,202)</u>
<b>Cash Flows from Financing Activities</b>		
Change in demand notes payable	(96,937)	(526,950)
Repayment of loans payable - related party	<u>(278,234)</u>	<u>(397,290)</u>
Net cash used in financing activities	<u>(375,171)</u>	<u>(924,240)</u>
Net increase in cash	139,976	417,479
Cash, Beginning of Year	1,695,954	1,278,475
Transfer of partnership interests	<u>(137,541)</u>	<u>-</u>
Cash, End of Year	<u><u>\$ 1,698,389</u></u>	<u><u>\$ 1,695,954</u></u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Interest Expense	<u><u>\$ 162,476</u></u>	<u><u>\$ 180,748</u></u>

See notes to financial statements

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

---

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

## **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, 2023 and 2022

- 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 20, 2024, the date the financial statements were available to be issued.

### **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, 2023 and 2022

#### **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, 2023 and 2022

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 2023 and 2022.

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 2020.

### **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, 2023, the following financial assets are available to meet annual operating needs for the year ended June 30, 2024:

Financial assets at year end:	
Cash	\$ 1,698,389
Deposits with Diocese of Scranton	3,527,609
Grants Receivable	889,296
Accounts Receivable	7,955
Employee retention credit receivable	1,023,210
	<u>7,146,459</u>
Less amounts not available to be used within one year:	
Financial assets with donor restrictions	<u>1,531,662</u>
Financial assets available to meet general expenditures within one year	<u>\$ 5,614,797</u>

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

---

### Notes to Consolidated Financial Statements

June 30, 2023 and 2022

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

#### **Indirect Cost Rate**

CSS was approved for an indirect cost rate of 23.62% to use during the fiscal years ending June 30, 2023 and 2022. During the years ended June 30, 2023 and 2022, indirect costs were allocated to individual programs by multiplying the indirect cost rate by direct salaries.

#### **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.

#### **Leases**

In February 2016, the FASB issued ASC Topic 842, Leases, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their balance sheets as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, Leases) and operating leases, with classification affecting the pattern of expense recognition in the income statement. CSS adopted Topic 842 on July 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, CSS has applied Topic 842 to reporting periods beginning on July 1, 2022, while prior periods continue to be reported and disclosed in accordance with CSS's historical accounting treatment under ASC Topic 840, Leases.

CSS elected the "package of practical expedients" under the transition guidance within Topic 842, in which CSS does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. CSS has not elected to adopt the "hindsight" practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on July 1, 2022.

CSS determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the customer obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. CSS also considers whether its service arrangements include the right to control the use of an asset.

CSS made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or year beginning July

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

---

### Notes to Consolidated Financial Statements

June 30, 2023 and 2022

1, 2022, for existing leases upon the adoption of ASC Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, CSS made an accounting policy election to utilize the prime rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Future lease payments may include fixed-rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

CSS has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate, vehicle and equipment asset classes. The non-lease components typically represent additional services transferred to CSS, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

Adoption of Topic 842 resulted in the recording of additional ROU assets and lease liabilities related to CSS's operating leases of approximately \$212,000 at July 1, 2022. The adoption of the new lease standard did not materially impact the change in net assets or cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

## **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.

## **3. Notes Receivable, Related Parties**

Until November 1, 2022, CSS owned 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. Until November 1, 2020, CSS also owned 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 Social Services of the Diocese of Scranton, Inc.**

---

### Notes to Consolidated Financial Statements

June 30, 2023 and 2022

#### **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 8 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.

Effective November 1, 2022, with the transfer of partnership interests, the following notes receivable are not included on CSS's financial statements.

#### **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 8 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. 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 8 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 8 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.

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

Notes to Consolidated Financial Statements  
June 30, 2023 and 2022

### 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 8 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 8 for the terms of the loan with PNC Bank, N.A. The balance is due on the later of (i) the (30<sup>th</sup>) 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 8 for the terms of the loan with Luzerne County. The balance is due in 2024. Interest is not charged.

Notes receivable at June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
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
St. Vincent Apartments, L.P.	-	250,000
St. Vincent Apartments, L.P.	-	130,000
Thomas Court Associates, L.P.	-	250,000
St. Stanislaus Apartments, L.P.	-	165,000
Zaccaeus Corporation	-	580,000
Total	<u>\$ 1,351,200</u>	<u>\$ 2,976,200</u>

## 4. Due from Related Parties

The balances due from related parties consist of amounts due from Zaccaeus Corporation totaling \$89,939 at June 30, 2023 and \$88,950 at June 30, 2022 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 \$302,251 at June 30, 2023 and \$409,843 at June 30, 2022 are due from various related parties. The balances are interest free and have no fixed repayment terms.

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

### Notes to Consolidated Financial Statements

June 30, 2023 and 2022

#### 5. Investments

Investments at June 30, 2023 and 2022 are summarized as follows:

	<b>2023</b>		<b>2022</b>	
	Cost	Fair Value (Carrying Value)	Cost	Fair Value (Carrying Value)
Cash Equivalents	\$ -	\$ -	\$ 1,124	\$ 1,124
Common Stocks	-	-	31	1,113
Total investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,155</u>	<u>\$ 2,237</u>

Interest and investment income consisted of the following:

	<b>2023</b>	<b>2022</b>
Interest and dividends	<u>\$ 189,265</u>	<u>\$ 50,014</u>
Net realized and unrealized (losses) gains on investment transactions	<u>\$ (294)</u>	<u>\$ 293</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:

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.

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

### Notes to Consolidated Financial Statements

June 30, 2023 and 2022

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 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, 2022. There were no investments at June 30, 2023.

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

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

### Notes to Consolidated Financial Statements

June 30, 2023 and 2022

#### **6. Property and Equipment**

Property and equipment and accumulated depreciation as of June 30, 2023 and 2022 are as follows:

	<b>2023</b>	<b>2022</b>
Land	\$ 303,570	\$ 604,589
Buildings	1,050,882	8,431,825
Building improvements	7,951,175	7,758,348
Leasehold improvements	118,824	118,824
Vehicles	237,251	237,251
Furniture and equipment	548,161	727,966
Construction in progress	57,386	18,252
Total	10,267,249	17,897,055
Less accumulated depreciation	4,180,502	7,774,004
Property and equipment, net	<u>\$ 6,086,747</u>	<u>\$ 10,123,051</u>

Construction in progress at June 30, 2023 and 2022 consisted of renovations to the Scranton and Hazleton locations.

#### **7. Demand Notes Payable**

CSS has a \$600,000 line of credit. Borrowings were \$62,420 at June 30, 2022. The interest rate is equal to prime rate (8.25% at June 30, 2023). The line is secured by accounts and property owned by CSS.

CSS also has a \$700,000 line of credit. Borrowings were \$282,605 and \$317,122 at June 30, 2023 and 2022, respectively. The interest rate on each advance is equal to the sum of the Daily BSBY rate plus 3.13% (approximately 8.31% at June 30, 2023). The line is secured by certain real estate. In June, 2018, the agreement was amended to include the Diocese as a borrower. In August, 2023, the line of credit was paid off with a promissory note from the Diocese of Scranton Institute.

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

### Notes to Consolidated Financial Statements

June 30, 2023 and 2022

#### 8. Mortgages Payable

Mortgages payable at June 30, 2023 and 2022 consists of the following:

	2023	2022
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
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
Effective November 1, 2022, with the transfer of partnership interests, the following mortgages payable are not included on CSS's financial statements.		
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

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

## Notes to Consolidated Financial Statements

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</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
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
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
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
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

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

### Notes to Consolidated Financial Statements

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</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
<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
Total	<u>\$ 850,000</u>	<u>\$ 4,911,900</u>

## 9. Due to Related Parties

The balance due to related parties consists of amounts due to Zaccaeus Corporation totaling \$344,365 at June 30, 2023 and 2022 for funding of the St. Hedwig's project and amounts due to the Diocese of Scranton totaling \$544,674 at June 30, 2023 for various projects and programs. The remaining balances of \$31,690 at June 30, 2023 and \$32,214 at June 30, 2022 are due to various related parties. The balances are interest free and have no fixed repayment terms.

## 10. Loans Payable – Related Party

The components of loans payable – related party at June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Loan payable, Diocese of Scranton Institute, payable in monthly installments of \$6,906, including interest at 3.0%, due January 2033.	\$ 689,823	\$ 751,959
Loan payable, Diocese of Scranton Institute, payable in monthly installments of \$1,742, including interest at 3.0%, due January 2029.	153,207	172,257
Loan payable, Diocese of Scranton Institute, payable in monthly installments of \$24,542, including interest at 3.0%, due February 2038.	<u>3,305,307</u>	<u>3,502,355</u>
Total	4,148,337	4,426,571
Less current portion	<u>277,634</u>	<u>269,171</u>
Long-term portion	<u>\$ 3,870,703</u>	<u>\$ 4,157,400</u>



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

---

Notes to Consolidated Financial Statements  
June 30, 2023 and 2022

Principal maturities on loans payable are as follows:

Year ending June 30	
2024	\$ 277,634
2025	286,079
2026	294,780
2027	303,746
2028	312,985
Thereafter	<u>2,673,113</u>
Total	<u>\$ 4,148,337</u>

### 11. Leases

CSS leases real estate and equipment under operating leases. The lease terms are five years, with renewal options subject to negotiation at the expiration of the leases. CSS's operating leases generally do not contain any material restrictive covenants or residual value guarantees.

Operating lease cost is recognized on a straight-line basis over the lease term. The components of lease expense are as follows for the year ended June 30, 2023:

Operating lease cost	\$ 54,990
----------------------	-----------

Supplemental cash flow information related to leases is as follows for the year ended June 30, 2023:

Cash paid for amounts included in measurement of lease liabilities:

Operating cash outflows—payments on operating leases	\$ 53,451
--	-----------

Supplemental statement of financial position information related to leases is as follows as of June 30, 2023:

Weighted-average remaining lease term:

Operating leases	3.21 years
------------------	------------

Weighted-average discount rate:

Operating leases	3.00%
------------------	-------

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

## Notes to Consolidated Financial Statements

June 30, 2023 and 2022

Future undiscounted cash flows for each of the next five years and thereafter and a reconciliation to the lease liabilities recognized on the statements of financial position are as follows:

	Operating Leases
2024	\$ 54,763
2025	56,076
2026	37,564
2027	23,949
Total lease payments	172,352
Less imputed interest	8,062
Total present value of lease liabilities	<u>\$ 164,290</u>

**12. Net Assets with Donor Restrictions**

Donor restricted net assets are available for the following purposes:

	2023	2022
<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
Anti-Hunger Efforts (Rectory Set Cook)	-	9,124
Shepherd's Maternity	18,400	5,400
Bishop's Relief Fund	35,897	35,897
Emergency Food and Shelter Services	-	3,868
St. Joseph Food Pantry	1,901	1,585
St. Vincent de Paul Kitchen	1,475,464	1,475,464
	<u>\$ 1,531,662</u>	<u>\$ 1,574,574</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:

	2023	2022
<u>Purpose restriction accomplished</u>		
Hazleton Shelter and Pantry Capital Project	\$ 15,277	\$ -
Shepherd's Maternity	5,400	11,360
COVID-19 Relief	-	2,940
Emergency Food and Shelter Services	3,868	122,605
St. Joseph Food Pantry	5,946	12,468
Carbondale Food Pantry	-	8,234
St. Vincent de Paul Kitchen Food Security Program	-	20,243
Bishop's Relief Fund	-	3,685
Anti-Hunger Efforts (Rectory Set Cook)	9,124	87,811
St. Anthony's Haven Homeless Shelter Renovations	27,959	71,281
Total net assets released from donor restrictions	<u>\$ 67,574</u>	<u>\$ 340,627</u>

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

### Notes to Consolidated Financial Statements

June 30, 2023 and 2022

#### 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>2023</u>	<u>2022</u>
Change in benefit obligation:		
Benefit obligation - beginning of year	\$ 14,134,888	\$ 15,146,546
Service cost	-	26,228
Interest cost	619,126	385,509
Actuarial loss	481,882	260,041
Change due to assumption changes	(330,935)	(992,401)
Expense charges	-	(26,228)
Benefits disbursed	(1,027,270)	(664,807)
Benefit obligation - end of year	<u>\$ 13,877,691</u>	<u>\$ 14,134,888</u>
Change in plan assets:		
Fair value of plan assets - beginning of year	\$ 12,924,380	\$ 12,752,686
Actual return on plan assets	952,880	(1,653,667)
Employer contributions	-	2,516,396
Benefits paid (including expense charges)	(1,027,270)	(691,035)
Fair value of plan assets – end of year	<u>\$ 12,849,990</u>	<u>\$ 12,924,380</u>
Funded status	<u>\$ (1,027,701)</u>	<u>\$ (1,210,508)</u>
Accumulated benefit obligation	<u>\$ 13,877,691</u>	<u>\$ 14,134,888</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>2023</u>	<u>2022</u>
Service cost	\$ -	\$ 26,228
Interest cost	619,126	385,509
Expected return on plan assets	(886,846)	(990,739)
Recognized actuarial loss	114,161	121,479
Total net periodic pension cost	<u>\$ (153,559)</u>	<u>\$ (457,523)</u>

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

### Notes to Consolidated Financial Statements

June 30, 2023 and 2022

#### Assumptions

Weighted-average assumptions used in computing benefit obligation at June 30, 2023 and 2022 are as follows:

	<b>2023</b>	<b>2022</b>
Discount rate	4.90 %	4.35 %
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:

	<b>2023</b>	<b>2022</b>
Discount rate	4.90%	4.35%
Expected long-term return on plan assets	7.25%	7.25%
Rate of compensation increase	N/A	N/A
Employer contributions	\$ -	\$ 2,516,396
Benefits paid	\$ 1,027,270	\$ 664,807

A net loss of \$4,489,548 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:

	<b>Net Assets</b>	
Asset category:	<b>2023</b>	<b>2022</b>
U.S. Obligations	14 %	- %
Corporate Bonds	10 %	- %
Mutual Funds – Fixed	13 %	- %
Mutual Funds - Equity	61 %	- %
Money Market Funds	2 %	- %
Equity securities	- %	61 %
Fixed income	- %	24 %
General account – Mutual of America	- %	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 reflects average rate of earnings expected on the funds invested or to be invested to provide for the benefits included in the projected benefit obligation. The selected rate considers the historical and expected future investment trends of the present and expected assets in the plan.

### **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, 2023 and 2022.

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.

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.

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

## Notes to Consolidated Financial Statements

June 30, 2023 and 2022

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

Corporate bonds, U.S. Government and Agencies obligations, Mutual Funds and Money Markets - 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 Plan assets at fair value as of June 30:

Assets at Fair Value as of June 30, 2023				
	Level 1	Level 2	Level 3	Total
U.S. Obligations	\$ 1,754,871	\$ -	\$ -	\$ 1,754,871
Corporate Bonds	1,235,841	-	-	1,235,841
Mutual Funds – Fixed	1,674,157	-	-	1,674,157
Mutual Funds - Equity	7,921,570	-	-	7,921,570
Money Market Funds	263,551	-	-	263,551
Total	<u>\$ 12,849,990</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,849,990</u>

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	<u>\$ -</u>	<u>\$ 9,782,823</u>	<u>\$ 3,141,557</u>	<u>\$ 12,924,380</u>

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

General Account	2023	2022
Balance, beginning of year	\$ 3,141,557	\$ 1,895,868
Interest credit	1,786	20,328
Transfers	(2,888,486)	(600,000)
Contributions	-	2,516,396
Benefit payments to participants and insurance carriers	(254,845)	(664,807)
Fees	(12)	(26,228)
Balance, end of year	<u>\$ -</u>	<u>\$ 3,141,557</u>

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

### **Notes to Consolidated Financial Statements**

June 30, 2023 and 2022

#### **Cash Flows**

CSS does not expect to contribute to its pension plan in 2024.

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

Years ending June 30:

2024	\$	728,791
2025		725,889
2026		822,114
2027		830,262
2028		827,156
2029 – 2033		4,384,228

#### **Defined Contribution Pension Plan**

CSS sponsored 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 \$82,264 in 2023 and \$91,207 in 2022.

#### **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 \$70,259 in 2023 and \$49,351 in 2022. 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 \$254,819 in 2023 and \$256,201 in 2022.

#### **15. Concentration of Credit Risk**

Approximately 11% and 15% of support and revenue is derived from grants from Children and Youth Offices in Pennsylvania and Department of Housing and Urban Development, respectively.

#### **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.

Claims filed for the Employee Retention Credit are also subject to review and audit by regulatory agencies.

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

### Notes to Consolidated Financial Statements

June 30, 2023 and 2022

#### 17. MH Homeless

The MH Homeless program provided 2,683 units of service during 2023 and 2,355 units of service during 2022. The funds used to provide these units of service were obtained from the following sources:

	2023	2022
MH/MR contract	\$ 214,877	\$ 189,956
Rents collected	13,350	11,383
Total	<u>\$ 228,227</u>	<u>\$ 201,339</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. Effective November 1, 2022, CSS transferred its partnership interest in these limited partnerships.

	2023	2022
Mortgage tax escrow	\$ -	\$ 25,086
Mortgage insurance escrow	-	32,834
Replacement reserve	-	354,542
Total	<u>\$ -</u>	<u>\$ 412,462</u>



## SUPPLEMENTARY INFORMATION

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

## Schedule 1 - Consolidating Statement of Financial Position

June 30, 2023

	<b>Assets</b>			<b>Consolidated CSS</b>
	<b>CSS</b>	<b>Affiliates</b>	<b>Eliminations</b>	
<b>Current Assets</b>				
Cash	\$ 1,698,389	\$ -	\$ -	\$ 1,698,389
Deposits with Diocese of Scranton	3,527,609	-	-	3,527,609
Grants receivable	889,296	-	-	889,296
Accounts receivable	7,955	-	-	7,955
Employee retention credit receivable	1,023,210	-	-	1,023,210
Prepaid expenses	143,685	-	-	143,685
Due from related parties	392,190	-	-	392,190
Operating lease right-of-use assets, current	50,887	-	-	50,887
Total current assets	7,733,221	-	-	7,733,221
<b>Notes Receivable, Related Parties</b>	1,351,200	-	-	1,351,200
<b>Property and Equipment, Net</b>	6,086,747	-	-	6,086,747
<b>Operating lease right-of-use assets, non-current</b>	111,864	-	-	111,864
<b>Other Assets</b>	58,222	-	-	58,222
Total assets	<u>\$ 15,341,254</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,341,254</u>
<b>Liabilities and Net Assets</b>				
<b>Current Liabilities</b>				
Demand notes payable	\$ 282,605	\$ -	\$ -	\$ 282,605
Current portion of loans payable - related party	277,634	-	-	277,634
Operating lease liabilities, current	50,660	-	-	50,660
Due to related parties	920,729	-	-	920,729
Accounts payable and accrued expenses	379,530	-	-	379,530
Refundable advances	66,385	-	-	66,385
Total current liabilities	1,977,543	-	-	1,977,543
<b>Loans Payable - Related Party</b>	3,870,703	-	-	3,870,703
<b>Mortgages Payable</b>	850,000	-	-	850,000
<b>Accrued Pension Cost</b>	1,027,701	-	-	1,027,701
<b>Operating lease liabilities, non-current</b>	113,630	-	-	113,630
Total liabilities	7,839,577	-	-	7,839,577
<b>Net Assets</b>				
Without donor restrictions	5,970,015	-	-	5,970,015
With donor restrictions	1,531,662	-	-	1,531,662
Total net assets	7,501,677	-	-	7,501,677
Total liabilities and net assets	<u>\$ 15,341,254</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,341,254</u>

See notes to financial statements

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

## Schedule 1 - Consolidating Statement of Financial Position

June 30, 2022

	<b>Assets</b>			<b>Consolidated</b>
	<b>CSS</b>	<b>Affiliates</b>	<b>Eliminations</b>	<b>CSS</b>
<b>Current Assets</b>				
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
<b>Notes Receivable, Related Parties</b>	3,601,200	-	(625,000)	2,976,200
<b>Restricted Deposits and Funded Reserves</b>	-	412,462	-	412,462
<b>Investments</b>	2,237	-	-	2,237
<b>Property and Equipment, Net</b>	6,073,256	4,049,795	-	10,123,051
<b>Other Assets</b>	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>
<b>Liabilities and Net Assets</b>				
<b>Current Liabilities</b>				
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
<b>Loans Payable - Related Party</b>	4,157,400	-	-	4,157,400
<b>Mortgages Payable</b>	2,530,000	3,006,900	(625,000)	4,911,900
<b>Accrued Pension Cost</b>	1,210,508	-	-	1,210,508
<b>Other Liabilities</b>	12,640	47,071	-	59,711
Total liabilities	9,183,474	3,306,120	(670,965)	11,818,629
<b>Net Assets</b>				
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 2 - Consolidating Statement of Activities

Year Ended June 30, 2023

	<b>CSS</b>			<b>Consolidated</b>
	<b>Without Donor</b>			<b>CSS</b>
	<b>Restrictions</b>	<b>Affiliates</b>	<b>Eliminations</b>	<b>Without Donor</b>
				<b>Restrictions</b>
<b>Support and Revenues</b>				
Fees and grants from government agencies	\$ 4,980,948	\$ -	\$ -	\$ 4,980,948
Program revenue	682,742	-	-	682,742
Donations	1,092,788	-	-	1,092,788
United Way	162,634	-	-	162,634
Diocesan Annual Appeal	674,854	-	-	674,854
Special events	16,580	-	-	16,580
Rental income	-	180,714	-	180,714
Other income	979,816	2,709	-	982,525
Interest income	188,639	14	-	188,653
Investment income	318	-	-	318
Gain on disposal of property and equipment	140,507	-	-	140,507
Net assets released from restriction	67,574	-	-	67,574
Total support and revenues	<u>8,987,400</u>	<u>183,437</u>	<u>-</u>	<u>9,170,837</u>
<b>Expenses and Losses</b>				
Salaries	3,178,946	26,283	-	3,205,229
Specific assistance to individuals	1,212,957	-	-	1,212,957
Professional contracts and services	473,575	-	-	473,575
Employee benefits	560,435	1,748	-	562,183
Pension	(71,295)	-	-	(71,295)
Payroll taxes	252,267	2,269	-	254,536
Depreciation	320,925	64,341	-	385,266
Rent	334,614	-	-	334,614
Utilities and telephone	246,814	33,856	-	280,670
Insurance	108,313	15,512	-	123,825
Interest	162,476	-	-	162,476
Food	91,015	-	-	91,015
Maintenance and repairs	138,009	38,808	-	176,817
Grant expense	100,287	-	-	100,287
Program supplies	52,454	-	-	52,454
Staff travel	67,920	-	-	67,920
Special events	41,794	-	-	41,794
Legal and professional fees	4,219	21,581	-	25,800
Office supplies	16,267	1,467	-	17,734
Dues and subscriptions	28,915	-	-	28,915
Advertising	3,481	750	-	4,231
Miscellaneous	32,620	9,049	-	41,669
Equipment	19,870	-	-	19,870
Staff development	46,609	-	-	46,609
Printing	5,920	-	-	5,920
Postage	5,520	-	-	5,520
Property taxes	-	15,900	-	15,900
Total expenses and losses	<u>7,434,927</u>	<u>231,564</u>	<u>-</u>	<u>7,666,491</u>
Revenues in excess of (less than) expenses	1,552,473	(48,127)	-	1,504,346
<b>Pension Liability Adjustment</b>	<u>29,248</u>	<u>-</u>	<u>-</u>	<u>29,248</u>
Increase (decrease) in net assets	<u>\$ 1,581,721</u>	<u>\$ (48,127)</u>	<u>\$ -</u>	<u>\$ 1,533,594</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

	<b>CSS</b>			<b>Consolidated</b>
	<b>Without Donor</b>			<b>CSS</b>
	<b>Restrictions</b>	<b>Affiliates</b>	<b>Eliminations</b>	<b>Without Donor</b>
				<b>Restrictions</b>
<b>Support and Revenues</b>				
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>
<b>Expenses and Losses</b>				
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
<b>Pension Liability Adjustment</b>	<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 3 - Consolidating Statement of Cash Flows

Year Ended June 30, 2023

	<b>CSS</b>	<b>Affiliates</b>	<b>Eliminations</b>	<b>Consolidated CSS</b>
<b>Cash Flows from Operating Activities</b>				
Increase (decrease) in net assets	\$ 1,538,809	\$ (48,127)	\$ -	\$ 1,490,682
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation	320,925	64,341	-	385,266
Gain on disposal of property and equipment	(140,507)	-	-	(140,507)
Unrealized and realized gains	(294)	-	-	(294)
Pension liability adjustment	(29,248)	-	-	(29,248)
Noncash lease expense	1,539	-	-	1,539
Changes in assets and liabilities:				
Grants receivable	(130,381)	-	-	(130,381)
Accounts receivable	(3,568)	(7,335)	-	(10,903)
Employee retention credit receivable	(1,023,210)	-	-	(1,023,210)
Prepaid expenses	(22,058)	(19,388)	-	(41,446)
Other assets	(1,640)	(4,718)	-	(6,358)
Due from/to related parties	515,257	-	-	515,257
Accrued pension cost	(153,559)	-	-	(153,559)
Accounts payable and accrued expenses	249,619	65,280	-	314,899
Other liabilities	(12,640)	14,008	-	1,368
Refundable advances	(51,338)	(16,338)	-	(67,676)
Net cash provided by operating activities	<u>1,057,706</u>	<u>47,723</u>	<u>-</u>	<u>1,105,429</u>
<b>Cash Flows from Investing Activities</b>				
Change in restricted deposits and funded reserves	-	(57,202)	-	(57,202)
Change in deposits with Diocese of Scranton	(327,602)	-	-	(327,602)
Proceeds from sale of property and equipment	149,507	-	-	149,507
Purchase of property and equipment	(343,416)	(14,100)	-	(357,516)
Proceeds from sale of investments	2,531	-	-	2,531
Net cash used in investing activities	<u>(518,980)</u>	<u>(71,302)</u>	<u>-</u>	<u>(590,282)</u>
<b>Cash Flows from Financing Activities</b>				
Change in demand notes payable	(96,937)	-	-	(96,937)
Repayment of loans payable - related party	(278,234)	-	-	(278,234)
Net cash used in financing activities	<u>(375,171)</u>	<u>-</u>	<u>-</u>	<u>(375,171)</u>
Net increase (decrease) in cash	163,555	(23,579)	-	139,976
Cash, Beginning of Year	1,534,834	161,120	-	1,695,954
Transfer of partnership interests	<u>-</u>	<u>(137,541)</u>	<u>-</u>	<u>(137,541)</u>
Cash, End of Year	<u>\$ 1,698,389</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,698,389</u>
<b>Supplemental Disclosure of Cash Flow Information</b>				
Interest Expense	<u>\$ 162,476</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 162,476</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

	<b>CSS</b>	<b>Affiliates</b>	<b>Eliminations</b>	<b>Consolidated CSS</b>
<b>Cash Flows from Operating Activities</b>				
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>
<b>Cash Flows from Investing Activities</b>				
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>
<b>Cash Flows from Financing Activities</b>				
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>
<b>Supplemental Disclosure of Cash Flow Information</b>				
Interest Expense	<u>\$ 179,303</u>	<u>\$ 1,445</u>	<u>\$ -</u>	<u>\$ 180,748</u>

See notes to financial statements