

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

Consolidated Financial Statements

June 30, 2024 and 2023

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

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June 30, 2024 and 2023

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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, 2024 and 2023, 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, 2024 and 2023, 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.

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 24, 2025 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.

*MMQ + Associates, P.C.*

Scranton, Pennsylvania  
March 24, 2025

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

## Consolidated Statements of Financial Position

June 30, 2024 and 2023

	<b>Assets</b>	
	<b>2024</b>	<b>2023</b>
<b>Current Assets</b>		
Cash	\$ 1,844,107	\$ 1,698,389
Deposits with Diocese of Scranton	2,151,759	3,527,609
Grants receivable	1,162,248	889,296
Accounts receivable	9,783	7,955
Employee retention credit receivable	-	1,023,210
Prepaid expenses	149,638	143,685
Operating lease right-of-use assets, current	67,927	50,887
Due from related parties	435,458	392,190
Total current assets	5,820,920	7,733,221
<b>Notes Receivable, Related Parties</b>	1,351,200	1,351,200
<b>Investments</b>	1,550,597	-
<b>Prepaid Pension Cost</b>	842,769	-
<b>Property and Equipment, Net</b>	5,919,551	6,086,747
<b>Operating lease right-of-use assets, non-current</b>	108,755	111,864
<b>Other Assets</b>	59,369	58,222
Total assets	<u>\$ 15,653,161</u>	<u>\$ 15,341,254</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Demand notes payable	\$ -	\$ 282,605
Current portion of loans payable - related party	311,054	277,634
Operating lease liabilities, current	67,258	50,660
Due to related parties	410,577	920,729
Accounts payable and accrued expenses	253,302	379,530
Refundable advances	20,050	66,385
Total current liabilities	1,062,241	1,977,543
<b>Loans Payable - Related Party</b>	3,808,621	3,870,703
<b>Mortgages Payable</b>	850,000	850,000
<b>Accrued Pension Cost</b>	-	1,027,701
<b>Operating lease liabilities, non-current</b>	111,997	113,630
Total liabilities	5,832,859	7,839,577
<b>Net Assets</b>		
Without donor restrictions	8,232,435	5,970,015
With donor restrictions	1,587,867	1,531,662
Total net assets	9,820,302	7,501,677
Total liabilities and net assets	<u>\$ 15,653,161</u>	<u>\$ 15,341,254</u>

See notes to financial statements

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

## Consolidated Statements of Activities

Years Ended June 30, 2024 and 2023

	2024			2023		
	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	\$ 5,741,248	\$ 20,000	\$ 5,761,248	\$ 4,980,948	\$ 10,000	\$ 4,990,948
Program revenue	674,854	-	674,854	682,742	-	682,742
Donations	744,247	59,245	803,492	1,092,788	14,662	1,107,450
United Way	171,177	-	171,177	162,634	-	162,634
Diocesan Annual Appeal	641,627	-	641,627	674,854	-	674,854
Special events	187,553	-	187,553	16,580	-	16,580
Rental income	-	-	-	180,714	-	180,714
Other income	146,086	-	146,086	982,525	-	982,525
Investment income	146,519	-	146,519	188,971	-	188,971
Unrealized gains on investments	92,984	-	92,984	-	-	-
Gain on disposal of property and equipment	500	-	500	140,507	-	140,507
Net assets released from restriction	23,040	(23,040)	-	67,574	(67,574)	-
Total support and revenues	<u>8,569,835</u>	<u>56,205</u>	<u>8,626,040</u>	<u>9,170,837</u>	<u>(42,912)</u>	<u>9,127,925</u>
<b>Expenses and Losses</b>						
Program	6,411,517	-	6,411,517	5,929,574	-	5,929,574
Management and general	1,663,351	-	1,663,351	1,677,911	-	1,677,911
Fundraising	72,937	-	72,937	59,006	-	59,006
Total expenses and losses	<u>8,147,805</u>	<u>-</u>	<u>8,147,805</u>	<u>7,666,491</u>	<u>-</u>	<u>7,666,491</u>
Revenues in excess of (less than) expenses	422,030	56,205	478,235	1,504,346	(42,912)	1,461,434
<b>Pension Liability Adjustment</b>	<u>1,840,390</u>	<u>-</u>	<u>1,840,390</u>	<u>29,248</u>	<u>-</u>	<u>29,248</u>
Increase (decrease) in net assets	<u>2,262,420</u>	<u>56,205</u>	<u>2,318,625</u>	<u>1,533,594</u>	<u>(42,912)</u>	<u>1,490,682</u>
<b>Net Assets, Beginning</b>	5,970,015	1,531,662	7,501,677	6,560,729	1,574,574	8,135,303
Transfer of partnership interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,124,308)</u>	<u>-</u>	<u>(2,124,308)</u>
<b>Net Assets, Ending</b>	<u>\$ 8,232,435</u>	<u>\$ 1,587,867</u>	<u>\$ 9,820,302</u>	<u>\$ 5,970,015</u>	<u>\$ 1,531,662</u>	<u>\$ 7,501,677</u>

See notes to financial statements

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

Consolidated Statement of Functional Expenses

Year Ended June 30, 2024

	Program Services					Total Program Services	Support Services		Total
	Adult and Family Services	Housing and Homeless Services	Material Assistance	Immigration Services	Youth Services		Management and General	Fundraising	
Salaries	\$ 35,714	\$ 1,383,215	\$ 542,803	\$ 257,980	\$ 728,357	\$ 2,948,069	\$ 526,248	\$ 14,074	\$ 3,488,391
Specific assistance to individuals	22,286	986,723	124,217	335,446	-	1,468,672	3,680	-	1,472,352
Professional contracts and services	47,028	40,555	26,082	5,680	-	119,345	170,274	39	289,658
Employee benefits	10,242	212,252	86,655	15,544	105,578	430,271	107,306	4,016	541,593
Pension	2,042	31,678	19,881	2,763	15,278	71,642	(6,001)	151	65,792
Payroll taxes	2,876	110,596	43,405	20,585	58,167	235,629	31,378	1,127	268,134
Depreciation	-	12,264	38,692	-	3,513	54,469	251,513	-	305,982
Rent	-	278,142	553	196	7,001	285,892	8,020	-	293,912
Utilities and telephone	6	51,186	58,432	1,275	15,317	126,216	138,554	453	265,223
Insurance	-	10,546	17,070	5	725	28,346	86,769	-	115,115
Interest	127	9,854	1,644	1,687	9,592	22,904	130,052	-	152,956
Food	-	50,211	32,428	146	-	82,785	84	-	82,869
Maintenance and repairs	-	43,475	42,047	1,492	461	87,475	92,587	-	180,062
Grant expense	-	112,772	-	-	-	112,772	-	-	112,772
Program supplies	1,010	26,734	29,753	207	410	58,114	2,507	-	60,621
Staff travel	3,161	20,479	4,267	8,370	73,732	110,009	678	-	110,687
Special events	-	-	-	-	-	-	-	51,277	51,277
Legal and professional fees	-	55	517	-	12,050	12,622	3,536	-	16,158
Office supplies	-	4,861	2,714	4,621	2,215	14,411	5,621	-	20,032
Dues and subscriptions	-	1,902	895	1,894	40	4,731	33,253	1,497	39,481
Advertising	-	1,294	27	4,389	-	5,710	-	-	5,710
Miscellaneous	-	15,079	17,262	12,589	33,222	78,152	55,647	303	134,102
Equipment	718	12,731	5,922	2,965	1,441	23,777	12,879	-	36,656
Staff development	-	3,877	756	1,154	12,212	17,999	4,587	-	22,586
Printing	-	3,463	927	128	1,444	5,962	1,824	-	7,786
Postage	-	363	3,389	1,061	730	5,543	2,355	-	7,898
Total Expenses	\$ 125,210	\$ 3,424,307	\$ 1,100,338	\$ 680,177	\$ 1,081,485	\$ 6,411,517	\$ 1,663,351	\$ 72,937	\$ 8,147,805

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 Statements of Cash Flows

Years Ended June 30, 2024 and 2023

	2024	2023
<b>Cash Flows from Operating Activities</b>		
Increase in net assets	\$ 2,318,625	\$ 1,490,682
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	305,982	385,266
Gain on disposal of property and equipment	(500)	(140,507)
Unrealized and realized gains	(92,984)	(294)
Pension liability adjustment	(1,840,390)	(29,248)
Noncash lease expense	1,034	1,539
Changes in assets and liabilities:		
Grants receivable	(272,952)	(130,381)
Accounts receivable	(1,828)	(10,903)
Employee retention credit receivable	1,023,210	(1,023,210)
Prepaid expenses	(5,953)	(41,446)
Other assets	(1,147)	(6,358)
Due from/to related parties	(553,420)	515,257
Prepaid/accrued pension cost	(30,080)	(153,559)
Accounts payable and accrued expenses	(126,228)	314,899
Other liabilities	-	1,368
Refundable advances	(46,335)	(67,676)
Net cash provided by operating activities	677,034	1,105,429
<b>Cash Flows from Investing Activities</b>		
Change in restricted deposits and funded reserves	-	(57,202)
Change in deposits with Diocese of Scranton	1,375,850	(327,602)
Proceeds from sale of property and equipment	500	149,507
Purchase of property and equipment	(138,786)	(357,516)
Purchase of investments	(2,608,418)	-
Proceeds from sale of investments	1,150,805	2,531
Net cash used in investing activities	(220,049)	(590,282)
<b>Cash Flows from Financing Activities</b>		
Change in demand notes payable	(282,605)	(96,937)
Proceeds from loans payable - related party	280,769	-
Repayment of loans payable - related party	(309,431)	(278,234)
Net cash used in financing activities	(311,267)	(375,171)
Net increase in cash	145,718	139,976
Cash, Beginning of Year	1,698,389	1,695,954
Transfer of partnership interests	-	(137,541)
Cash, End of Year	\$ 1,844,107	\$ 1,698,389
<b>Supplemental Disclosure of Cash Flow Information</b>		
Interest Expense	\$ 152,956	\$ 162,476

See notes to financial statements

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

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Notes to Consolidated Financial Statements

June 30, 2024 and 2023

## **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.

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## Notes to Consolidated Financial Statements

June 30, 2024 and 2023

- 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 24, 2025, the date the financial statements were available to be issued.

### Principles of Consolidation

The accompanying consolidated financial statements for the year ended June 30, 2023 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 expense for credit losses when deemed uncollectible based upon a periodic review of the accounts. No allowance for credit losses was recorded because management believes all are collectible.

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

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### Notes to Consolidated Financial Statements

June 30, 2024 and 2023

#### **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.**

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### Notes to Consolidated Financial Statements

June 30, 2024 and 2023

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 2024 and 2023.

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 2021.

### **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, 2024, the following financial assets are available to meet annual operating needs for the year ended June 30, 2025:

Financial assets at year end:	
Cash	\$ 1,844,107
Deposits with Diocese of Scranton	2,151,759
Grants Receivable	1,162,248
Accounts Receivable	9,783
Investments	1,550,597
	<u>6,718,494</u>
Less amounts not available to be used within one year:	
Financial assets with donor restrictions	<u>1,587,867</u>
Financial assets available to meet general expenditures within one year	<u>\$ 5,130,627</u>

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

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### Notes to Consolidated Financial Statements

June 30, 2024 and 2023

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, 2024 and 2023. During the years ended June 30, 2024 and 2023, 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 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.

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.

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

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Notes to Consolidated Financial Statements

June 30, 2024 and 2023

### **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 June 30, 2023 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:

#### **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.



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

### Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Notes receivable at June 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</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.	<u>315,476</u>	<u>315,476</u>
Total	<u>\$ 1,351,200</u>	<u>\$ 1,351,200</u>

#### 4. Due from Related Parties

The balances due from related parties consist of amounts due from Zaccaeus Corporation totaling \$95,230 at June 30, 2024 and \$89,939 at June 30, 2023 for services, development fees and other costs relating to housing development. The remaining balances of \$340,228 at June 30, 2024 and \$302,251 at June 30, 2023 are due from various related parties. The balances are interest free and have no fixed repayment terms.

#### 5. Investments

Investments at June 30, 2024 are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>
Mutual funds	\$ 944,385	\$ 1,020,778
U.S. Obligations	394,294	406,945
Equities	<u>118,934</u>	<u>122,874</u>
Total	<u>\$ 1,457,613</u>	<u>\$ 1,550,597</u>

Investment income consisted of the following:

	<u>2024</u>
Interest and dividends	<u>\$ 146,519</u>
Net unrealized gains on investment transactions	<u>\$ 92,984</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.

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:

Equities, U.S. Obligations and Mutual funds: 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, 2024. There were no investments at June 30, 2023.

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

### Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Assets at Fair Value as of June 30, 2024				
	Level 1	Level 2	Level 3	Total
Mutual funds – Equity	\$ 631,240	\$ -	\$ -	\$ 631,240
Mutual funds - Fixed	389,538	-	-	389,538
U.S. Obligations	406,945	-	-	406,945
Equities	122,874	-	-	122,874
Total	<u>\$ 1,550,597</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,550,597</u>

## 6. Property and Equipment

Property and equipment and accumulated depreciation as of June 30, 2024 and 2023 are as follows:

	2024	2023
Land	\$ 303,570	\$ 303,570
Buildings	1,050,882	1,050,882
Building improvements	8,118,864	7,951,175
Leasehold improvements	118,824	118,824
Vehicles	217,980	237,251
Furniture and equipment	527,443	548,161
Construction in progress	-	57,386
Total	10,337,563	10,267,249
Less accumulated depreciation	<u>4,418,012</u>	<u>4,180,502</u>
Property and equipment, net	<u>\$ 5,919,551</u>	<u>\$ 6,086,747</u>

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

## 7. Demand Notes Payable

CSS has a \$600,000 line of credit. The interest rate is equal to prime rate (8.50% at June 30, 2024). The line is secured by accounts and property owned by CSS.

CSS also had a \$700,000 line of credit. Borrowings were \$282,605 at June 30, 2023. 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, 2024 and 2023

#### 8. Mortgages Payable

Mortgages payable at June 30, 2024 and 2023 consists of the following:

	<u>2024</u>	<u>2023</u>
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
Total	<u>\$ 850,000</u>	<u>\$ 850,000</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, 2024 and 2023 for funding of the St. Hedwig's project and amounts due to the Diocese of Scranton totaling \$34,553 and \$544,674 at June 30, 2024 and 2023, respectively, for various projects and programs. The remaining balances of \$31,659 at June 30, 2024 and \$31,690 at June 30, 2023 are due to 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, 2024 and 2023

#### 10. Loans Payable – Related Party

The components of loans payable – related party at June 30, 2024 and 2023 are as follows:

	2024	2023
Loan payable, Diocese of Scranton Institute, payable in monthly installments of \$6,906, including interest at 3.0%, due January 2033.	\$ 625,751	\$ 689,823
Loan payable, Diocese of Scranton Institute, payable in monthly installments of \$1,742, including interest at 3.0%, due January 2029.	133,569	153,207
Loan payable, Diocese of Scranton Institute, payable in monthly installments of \$24,542, including interest at 3.0%, due February 2038.	3,102,048	3,305,307
Loan payable, Diocese of Scranton Institute, payable in monthly installments of \$2,711, including interest at 3.0%, due August 2033.	258,307	-
Total	4,119,675	4,148,337
Less current portion	311,054	277,634
Long-term portion	<u>\$ 3,808,621</u>	<u>\$ 3,870,703</u>

Principal maturities on loans payable are as follows:

Year ending June 30	
2025	\$ 311,054
2026	320,515
2027	330,264
2028	340,309
2029	350,660
Thereafter	<u>2,466,873</u>
Total	<u>\$ 4,119,675</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.

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

## Notes to Consolidated Financial Statements

June 30, 2024 and 2023

Operating lease cost is recognized on a straight-line basis over the lease term. The components of lease expense are as follows for the years ended June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Operating lease cost	\$ 72,188	\$ 54,990

Supplemental cash flow information related to leases is as follows for the years ended June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash outflows—payments on operating leases	\$ 71,155	\$ 53,451

Supplemental statement of financial position information related to leases is as follows as of June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Weighted-average remaining lease term:		
Operating leases	2.81 years	3.21 years
Weighted-average discount rate:		
Operating leases	3.00%	3.00%

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
2025	\$ 72,962
2026	54,787
2027	41,517
2028	17,923
Total lease payments	187,189
Less imputed interest	7,934
Total present value of lease liabilities	<u>\$ 179,255</u>

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

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

### 12. Net Assets with Donor Restrictions

Donor restricted net assets are available for the following purposes:

	2024	2023
<u>Subject to expenditure for specified purpose</u>		
Shepherd's Maternity	\$ 34,000	\$ 18,400
Bishop's Relief Fund	35,897	35,897
Other programs	30,728	-
St. Joseph Food Pantry	11,778	1,901
St. Vincent de Paul Kitchen	1,475,464	1,475,464
	<u>\$ 1,587,867</u>	<u>\$ 1,531,662</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:

	2024	2023
<u>Purpose restriction accomplished</u>		
Hazeltown Shelter and Pantry Capital Project	\$ -	\$ 15,277
Shepherd's Maternity	18,400	5,400
Emergency Food and Shelter Services	-	3,868
St. Joseph Food Pantry	1,568	5,946
Other programs	3,072	-
Anti-Hunger Efforts (Rectory Set Cook)	-	9,124
St. Anthony's Haven Homeless Shelter Renovations	-	27,959
Total net assets released from donor restrictions	<u>\$ 23,040</u>	<u>\$ 67,574</u>

### 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:

	2024	2023
Change in benefit obligation:		
Benefit obligation - beginning of year	\$ 13,877,691	\$ 14,134,888
Service cost	-	-
Interest cost	651,632	619,126
Actuarial (gain) loss	(223,693)	481,882
Change due to assumption changes	(685,435)	(330,935)
Expense charges	-	-
Benefits disbursed	(671,832)	(1,027,270)
Benefit obligation - end of year	<u>\$ 12,948,363</u>	<u>\$ 13,877,691</u>

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

## Notes to Consolidated Financial Statements

June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Change in plan assets:		
Fair value of plan assets - beginning of year	\$ 12,849,990	\$ 12,924,380
Actual return on plan assets	1,612,974	952,880
Employer contributions	-	-
Benefits paid (including expense charges)	(671,832)	(1,027,270)
Fair value of plan assets – end of year	<u>\$ 13,791,132</u>	<u>\$ 12,849,990</u>
 Funded status	 <u>\$ 842,769</u>	 <u>\$ (1,027,701)</u>
 Accumulated benefit obligation	 <u>\$ 12,948,363</u>	 <u>\$ 13,877,691</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>2024</u>	<u>2023</u>
Service cost	\$ -	\$ -
Interest cost	651,632	619,126
Expected return on plan assets	(775,157)	(886,846)
Recognized actuarial loss	<u>93,445</u>	<u>114,161</u>
 Total net periodic pension cost	 <u>\$ (30,080)</u>	 <u>\$ (153,559)</u>

**Assumptions**

Weighted-average assumptions used in computing benefit obligation at June 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Discount rate	5.31 %	4.90 %
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:

	<u>2024</u>	<u>2023</u>
Discount rate	5.31%	4.90%
Expected long-term return on plan assets	7.25%	7.25%
Rate of compensation increase	N/A	N/A
Employer contributions	\$ -	\$ -
Benefits paid	\$ 671,832	\$ 1,027,270

A net loss of \$2,649,158 represents the unrecognized component of net periodic pension cost included in net assets without donor restrictions.



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

### Notes to Consolidated Financial Statements

June 30, 2024 and 2023

#### Plan Assets

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

Asset category:	Net Assets	
	2024	2023
U.S. Obligations	13 %	14 %
Corporate Bonds	9 %	10 %
Mutual Funds – Fixed	13 %	13 %
Mutual Funds - Equity	63 %	61 %
Money Market Funds	2 %	2 %
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.

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

### Notes to Consolidated Financial Statements

June 30, 2024 and 2023

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, 2024 and 2023.

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, 2024				
	Level 1	Level 2	Level 3	Total
U.S. Obligations	\$ 1,795,504	\$ -	\$ -	\$ 1,795,504
Corporate Bonds	1,302,794	-	-	1,302,794
Mutual Funds – Fixed	1,750,426	-	-	1,750,426
Mutual Funds – Equity	8,617,628	-	-	8,617,628
Money Market Funds	324,780	-	-	324,780
Total	<u>\$ 13,791,132</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,791,132</u>

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>

### Cash Flows

CSS does not expect to contribute to its pension plan in 2025.

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

Years ending June 30:

2025	\$ 755,492
2026	803,255
2027	798,966
2028	797,356
2029	799,921
2030 – 2034	4,217,848

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

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### Notes to Consolidated Financial Statements

June 30, 2024 and 2023

#### 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 \$95,872 in 2024 and \$82,264 in 2023.

#### 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 \$79,335 in 2024 and \$70,259 in 2023. 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 \$269,628 in 2024 and \$254,819 in 2023.

#### 15. Concentration of Credit Risk

Approximately 20% and 17% 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.

#### 17. MH Homeless

The MH Homeless program provided 2,114 units of service during 2024 and 2,683 units of service during 2023. The funds used to provide these units of service were obtained from the following sources:

	2024	2023
MH/MR contract	\$ 171,299	\$ 214,877
Rents collected	11,130	13,350
Total	<u>\$ 182,429</u>	<u>\$ 228,227</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 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 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	-	(137,541)	-	(137,541)
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 of Expenditures of Federal Awards  
and Supplementary Information

June 30, 2024



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

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**Catholic Social Services of the Diocese of Scranton, Inc.**
**Schedule of Expenditures of Federal Awards**

Year Ended June 30, 2024

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
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>					
Passed through Monroe County					
Community Services Block Grant	93.569	N/A	N/A	01/01/23 - 12/31/23	\$ 4,562
Community Services Block Grant	93.569	N/A	N/A	01/01/24 - 12/31/24	10,000
					<u>14,562</u>
Passed through Lackawanna County Department of Human Services					
Temporary Assistance for Needy Families	93.558	N/A	N/A	07/01/23 - 06/30/24	37,094
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	07/01/23 - 12/31/23	186,911
Temporary Assistance for Needy Families	93.558	N/A	N/A	01/01/24 - 06/30/24	180,371
Passed through Women in Need					
Temporary Assistance for Needy Families	93.558	N/A	N/A	07/01/23 - 06/30/24	14,067
					<u>418,443</u>
Total 477 Cluster					<u>433,005</u>
Passed through Pennsylvania Department of Human Services					
Refugee and Entrant Assistance-State Administered Programs	93.566	SAP 4100064978	N/A	10/01/22 - 09/30/23	37,536
Refugee and Entrant Assistance-State Administered Programs	93.566	SAP 4100064978	N/A	10/01/23 - 09/30/24	218,714
					<u>256,250</u>
Total U.S. Department of Health and Human Services					<u>689,255</u>
<b><u>U.S. DEPT OF HOUSING AND URBAN DEVELOPMENT</u></b>					
Continuum of Care (COC) Program	14.267	N/A	N/A	07/01/23 - 06/30/24	438,868
Continuum of Care (COC) Program	14.267	N/A	N/A	02/01/23 - 01/31/24	59,862
Continuum of Care (COC) Program	14.267	N/A	N/A	02/01/24 - 01/31/25	43,602
Continuum of Care (COC) Program	14.267	N/A	N/A	03/01/23 - 02/28/24	144,419
Continuum of Care (COC) Program	14.267	N/A	N/A	03/01/23 - 02/28/24	72,860
Continuum of Care (COC) Program	14.267	N/A	N/A	06/01/23 - 05/31/24	168,496
Continuum of Care (COC) Program	14.267	N/A	N/A	06/01/23 - 05/31/24	15,098
Continuum of Care (COC) Program	14.267	N/A	N/A	11/01/22 - 10/31/23	16,062
Continuum of Care (COC) Program	14.267	N/A	N/A	11/01/23 - 10/31/24	30,577
Continuum of Care (COC) Program	14.267	N/A	N/A	05/01/23 - 04/30/24	222,119
Continuum of Care (COC) Program	14.267	N/A	N/A	05/01/24 - 04/30/25	44,870
Continuum of Care (COC) Program	14.267	N/A	N/A	10/01/22 - 09/30/23	44,111
Continuum of Care (COC) Program	14.267	N/A	N/A	10/01/23 - 09/30/24	145,169
					<u>1,446,113</u>
Passed through Luzerne County, Office of Community Development					
Emergency Solutions Grants Program	14.231	PS-23-05-05	N/A	01/01/23 - 12/31/23	53,521
Emergency Solutions Grants Program	14.231	PS-24-05-05	N/A	01/01/24 - 12/31/24	10,250
Passed through City of Scranton, Office of Economic and Community Development					
Emergency Solutions Grants Program	14.231	23-2811	N/A	01/01/23 - 12/31/23	40,570
Emergency Solutions Grants Program	14.231	20-2536	N/A	01/01/24 - 12/31/24	10,349
					<u>114,690</u>
Passed through City of Hazleton, Office of Economic and Community Development					
Community Development Block Grants/Entitlement Grants	14.218	N/A	N/A	01/01/24 - 12/31/24	20,000
Passed through Lackawanna County, Office of Community Development					
Community Development Block Grants/Entitlement Grants	14.218	23-2798	N/A	01/01/23 - 12/31/23	18,500
Passed through City of Wilkes-Barre, Office of Economic and Community Development					
Community Development Block Grants/Entitlement Grants	14.218	BCD-23-5-G-2-NSA	N/A	07/01/23 - 12/31/23	10,000
Passed through Luzerne County, Office of Community Development					
Community Development Block Grants/Entitlement Grants	14.218	PS-23-05-05	N/A	01/01/23 - 12/31/23	19,576
Community Development Block Grants/Entitlement Grants	14.218	PS-24-05-05	N/A	01/01/24 - 12/31/24	101,251
Total CDBG - Entitlement Grants Cluster					<u>169,327</u>
Passed through Luzerne County Housing Authority					
Resident Opportunity And Supportive Services - Service Coordinators	14.870	N/A	N/A	05/01/23 - 10/31/24	43,539
Resident Opportunity And Supportive Services - Service Coordinators	14.870	N/A	N/A	01/01/24 - 12/31/24	13,069
					<u>56,608</u>
Total U.S. Department of Housing and Urban Development					<u>\$ 1,786,738</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, 2024

<b>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</b>	<b>Federal Assistance Listing Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Passed Through to Subrecipients</b>	<b>Program Period</b>	<b>Federal Expenditures</b>
<b><u>U.S. DEPARTMENT OF TREASURY</u></b>					
Passed through City of Wilkes-Barre Coronavirus State and Local Fiscal Recovery Funds - COVID-19	21.027	N/A	N/A	07/01/23 - 06/30/24	\$ 26,346
Total U.S. Department of Treasury					<u>26,346</u>
<b><u>U.S. DEPARTMENT OF VETERANS AFFAIRS</u></b>					
VA Homeless Providers Grant and Per Diem Program	64.024	N/A	N/A	10/01/22 - 09/30/23	142,404
VA Homeless Providers Grant and Per Diem Program	64.024	N/A	N/A	10/01/23 - 09/30/24	<u>404,161</u>
Total U.S. Department of Veterans Affairs					<u>546,565</u>
<b><u>U.S. DEPARTMENT OF STATE</u></b>					
Passed through the United States Conference of Catholic Bishops U.S. Refugee Admissions Program	19.510	SPRMC023CA0023	N/A	10/01/22 - 09/30/23	139,384
U.S. Refugee Admissions Program	19.510	SPRMC023CA0366	N/A	10/01/23 - 09/30/24	<u>252,613</u>
Total U.S. Department of State					<u>391,997</u>
<b><u>U.S. DEPARTMENT OF HOMELAND SECURITY</u></b>					
Passed through the United Way of Lackawanna County Emergency Food and Shelter National Board Program	97.024	N/A	N/A	02/01/23 - 01/31/24	17,264
Passed through the United Way of Wyoming Valley Emergency Food and Shelter National Board Program	97.024	N/A	N/A	02/01/23 - 01/31/24	<u>22,409</u>
Total U.S. Department of Homeland Security					<u>39,673</u>
Total Expenditures of Federal Awards					<u>\$ 3,480,574</u>



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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, 2024, 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 24, 2025.

**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.

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.

*MMQ + Associates, P.C.*

Scranton, Pennsylvania  
March 24, 2025



Certified Public Accountants & Consultants

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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, 2024. 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, 2024.

***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.

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, 2024, and have issued our report thereon dated March 24, 2025, 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.

*MMQ + Associates, P.C.*

Scranton, Pennsylvania  
March 24, 2025



CATHOLIC SOCIAL SERVICES OF THE DIOCESE OF SCRANTON, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2024

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>Assistance Listing 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
64.024	VA Homeless Providers Grant and Per Diem Program

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, 2024

II. FINANCIAL STATEMENT FINDINGS

No matters were reported.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.



*Certified Public Accountants & Consultants*

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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, 2024 and have issued our report thereon dated March 24, 2025, 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.

*MMQ + Associates, P.C.*

Scranton, Pennsylvania  
March 24, 2025

## SUPPLEMENTARY INFORMATION

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

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Lackawanna County Office of Catholic Social Services

Summary of Expenditures and Revenue Report - MH Homeless Program

Year Ended June 30, 2024

**Expenditures**

Salaries	\$ 95,097
Rent	35,774
Indirect costs	22,462
Employee benefits	10,550
Pension	1,207
Payroll taxes	7,597
Program supplies	3,596
Insurance	49
Utilities and telephone	270
Maintenance and repairs	905
Food	1,451
Professional contracts and services	256
Dues and subscriptions	183
Office supplies	903
Miscellaneous	405
Staff development	419
Housing assistance	191
Interest expense	390
Printing	670
Staff travel	69

Total expenditures	<u>182,444</u>
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**Revenues**

## Support and revenues:

Fees and grants from governmental agencies	171,299
Program fees	11,130
Other	15

Total revenues	<u>182,444</u>
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Revenues in excess of expenses	<u><u>\$ -</u></u>
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*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, 2024

	<b>Total MH Homeless</b>	<b>Total Non MH</b>	<b>Total</b>
<b>Expenses</b>			
Salaries	\$ 95,097	\$ 607,163	\$ 702,260
Rent	35,774	390,801	426,575
Indirect costs	22,462	143,389	165,851
Employee benefits	10,550	90,368	100,918
Pension	1,207	13,962	15,169
Payroll taxes	7,597	48,536	56,133
Program supplies	3,596	7,623	11,219
Insurance	49	4,319	4,368
Utilities and telephone	270	8,957	9,227
Maintenance and repairs	905	28,443	29,348
Food	1,451	46,384	47,835
Professional contracts and services	256	28,138	28,394
Dues and subscriptions	183	798	981
Office supplies	903	1,798	2,701
Miscellaneous	405	4,229	4,634
Staff development	419	1,265	1,684
Housing assistance	191	488,548	488,739
Interest expense	390	3,703	4,093
Printing	670	2,689	3,359
Staff travel	69	8,267	8,336
Depreciation	-	2,615	2,615
Total expenses	182,444	1,931,995	2,114,439
<b>Revenues</b>			
Support and revenues:			
Fees and grants from governmental agencies	171,299	1,511,735	1,683,034
Program fees	11,130	309,421	320,551
Donations	-	57,152	57,152
United Way	-	30,012	30,012
Diocesan Annual Appeal	-	18,372	18,372
Other	15	10,958	10,973
Total revenues	182,444	1,937,650	2,120,094
Revenues in excess of expenses	\$ -	\$ 5,655	\$ 5,655

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, 2024

	<b>Total Expenditures Title 4300 Costs</b>	<b>Units of Service Provided</b>	<b>Actual Title 4300 Costs Per Unit of Service Provided</b>
<b>MH Homeless</b>	<b>\$ 182,444</b>	<b>2,114</b>	<b>\$ 86</b>

*See notes to supplementary information*

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

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Notes to the Schedule of Expenditures of Federal Awards and Supplementary Information  
June 30, 2024

### **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, 2024. 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.**

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Notes to the Schedule of Expenditures of Federal Awards and Supplementary Information  
June 30, 2024

### **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 \$114,451 in 2024.



Certified Public Accountants & Consultants

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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, 2024. 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, 2024 in conformity with the Commonwealth of Pennsylvania, Department of Human Services, Title 4300 Regulations.

*MMQ + Associates, P.C.*

Scranton, Pennsylvania  
March 24, 2025