

Catholic Charities of Southern Missouri, Inc. and Subsidiary

Independent Auditors' Report and
Consolidated Financial Statements
Years Ended June 30, 2023 and 2022

KPM
CPAS & ADVISORS



Independent Auditors' Report

Board of Directors
Catholic Charities of Southern Missouri, Inc. and Subsidiary
Springfield, Missouri

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Catholic Charities of Southern Missouri, Inc. (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Catholic Charities of Southern Missouri, Inc. as of June 30, 2023, and the changes in its net assets and its cash flows, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Catholic Charities of Southern Missouri, Inc., and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the financial statements

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

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

www.kpmcpa.com

Auditors' 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 auditors' 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 generally accepted auditing standards 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 generally accepted auditing standards 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 Catholic Charities of Southern Missouri, Inc.'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 Catholic Charities of Southern Missouri, Inc.'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 22 and 23, as listed in the table of contents, which is the responsibility of management, is presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and are 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 supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Catholic Charities of Southern Missouri, Inc. and Subsidiary consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated January 29, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in material respects, with the audited consolidated financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2024, on our consideration of Catholic Charities of Southern Missouri, Inc.'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 Catholic Charities of Southern Missouri, Inc.'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 Catholic Charities of Southern Missouri, Inc.'s internal control over financial reporting and compliance.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
March 29, 2024

Catholic Charities of Southern Missouri, Inc. and Subsidiary

Consolidated Statements of Financial Position

June 30, 2023 and 2022

	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	\$ 594,842	\$ 336,290
Restricted cash	56,179	1,384,773
Beneficial interest in community foundation	186,028	174,476
Trust funds invested with diocese	35,406	285,011
Grant funds receivable	768,365	1,338,281
Contributions receivable	328,533	411,587
Other current assets	7,287	12,135
Prepaid expenses	23,662	73,445
Total current assets	2,000,302	4,015,998
Property and equipment		
Cost	6,732,413	3,901,066
Less accumulated depreciation	1,133,476	1,031,011
Net property and equipment	5,598,937	2,870,055
Other Assets		
Cash and cash equivalents - restricted for long-term assets	2,563,884	3,058,498
Contributions receivable, net long-term	176,763	459,470
Operating lease right-of-use assets	484,697	-
Total other assets	3,225,344	3,517,968
Total Assets	\$ 10,824,583	\$ 10,404,021
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 822,490	\$ 498,424
Accrued expenses	349,515	342,704
Operating lease liability - current portion	215,400	-
Refundable advance	304,819	1,402,057
Total current liabilities	1,692,224	2,243,185
Other Liabilities		
Operating lease liabilities	269,297	-
Net Assets		
Without donor restriction	3,444,452	3,947,039
With donor restriction	5,418,610	4,213,797
Total net assets	8,863,062	8,160,836
Total Liabilities and Net Assets	\$ 10,824,583	\$ 10,404,021

See accompanying notes to the financial statements

Catholic Charities of Southern Missouri, Inc. and Subsidiary

Consolidated Statements of Activities and Net Assets

Year Ended June 30, 2023

With Summarized Financial Information for the Year Ended June 30, 2022

	2023			2022
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Total
Public Support and Revenues				
Contributions	\$ 473,475	\$ 1,855,265	\$ 2,328,740	\$3,601,586
Special events revenue	421,767	-	421,767	442,411
Less cost of direct benefit to donors	92,985	-	92,985	54,489
Net special events	328,782	-	328,782	387,922
Nonfinancial contributions	177,038	-	177,038	375,997
Grants	11,309,412	-	11,309,412	12,146,104
Fees for service	177,136	-	177,136	165,541
Paycheck Protection Program income	-	-	-	65,150
Other income	117,089	-	117,089	269,888
Investment income (loss), net	11,466	-	11,466	(12,418)
Total public support and revenues	12,594,398	1,855,265	14,449,663	16,999,770
Net assets released from restrictions	650,452	(650,452)	-	-
Total public support, revenues and reclassifications	13,244,850	1,204,813	14,449,663	16,999,770
Expenses				
Program services	12,047,121	-	12,047,121	12,749,689
Management and general	1,435,401	-	1,435,401	1,329,907
Fundraising	264,915	-	264,915	251,325
Total Expenses	13,747,437	-	13,747,437	14,330,921
Change in net assets	(502,587)	1,204,813	702,226	2,668,849
Net Assets - beginning of year	3,947,039	4,213,797	8,160,836	5,491,987
Net Assets - end of year	<u>\$ 3,444,452</u>	<u>\$ 5,418,610</u>	<u>\$ 8,863,062</u>	<u>\$8,160,836</u>

See accompanying notes to the financial statements

Catholic Charities of Southern Missouri, Inc. and Subsidiary

Consolidated Statements of Functional Expenses

Year Ended June 30, 2023

With Summarized Financial Information for the Year Ended June 30, 2022

	2023				2022
	Program Services	Management and General	Fundraising	Total	Total
Wages	\$ 4,033,104	\$ 532,660	\$ 103,492	\$ 4,669,256	\$ 4,493,718
Employee benefits and payroll taxes	1,318,258	330,191	31,368	1,679,817	1,521,522
Contract labor	58,270	615	-	58,885	207,254
Direct project support	5,374,315	-	-	5,374,315	6,420,347
Professional fees	11,247	117,198	-	128,445	72,958
Bank fees	240	4,796	3,476	8,512	17,076
Rent	288,089	33,848	7,145	329,082	380,829
Telephone and internet	64,521	24,287	1,126	89,934	80,213
Supplies	16,476	20,880	11,252	48,608	99,435
Postage	3,204	13,196	4,293	20,693	21,863
Information technology	186,088	20,306	3,311	209,705	156,500
Travel	155,689	32,742	1,727	190,158	110,083
Dues, subscriptions and memberships	6,469	28,747	180	35,396	18,916
Education and staff training	5,856	27,642	20	33,518	20,329
Insurance	44,541	4,504	1,920	50,965	44,036
Equipment, maintenance and repairs	33,524	12,234	-	45,758	93,392
Facility maintenance	81,411	58,445	790	140,646	142,387
Fundraising and event expenses	19,542	-	129,611	149,153	90,769
Depreciation	70,323	33,031	111	103,465	93,539
Miscellaneous	88,010	125,862	6,310	220,182	55,625
Advertising and outreach	28,958	1,782	3,167	33,907	66,860
Utilities	131,825	6,597	3,001	141,423	132,167
Printing	27,161	5,838	45,600	78,599	45,592
Total functional expenses	12,047,121	1,435,401	357,900	13,840,422	14,385,410
Expenses included with revenue on the consolidated statements of activities and net assets					
Cost of direct benefits to donors	-	-	(92,985)	(92,985)	(54,489)
Total expenses included in the expense section on the statement of activities and net assets	\$ 12,047,121	\$ 1,435,401	\$ 264,915	\$ 13,747,437	\$ 14,330,921

See accompanying notes to the financial statements

Catholic Charities of Southern Missouri, Inc. and Subsidiary

Consolidated Statements of Cash Flows

Years Ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Change in net assets	\$ 702,226	\$ 2,668,849
Adjustments		
Paycheck Protection Program income	-	(65,150)
Depreciation	103,465	93,539
Contributions restricted for long-term assets	(1,363,121)	(2,445,683)
Noncash contribution of property and equipment	-	(245,000)
Realized and unrealized (gain) loss on investments	(7,564)	18,749
Net change in operating accounts		
Grant funds receivables	569,916	(264,643)
Other current assets	4,848	(4,848)
Prepaid expenses	49,783	(14,462)
Accounts payable	324,066	175,755
Accrued expenses	6,811	11,907
Refundable advance	(1,097,238)	1,004,143
Net cash (used in) from operating activities	(706,808)	933,156
Cash flows from investing activities		
Acquisition of property and equipment	(2,832,347)	(421,211)
Net withdrawals from trust funds	250,000	50,000
Reinvested earnings	(4,383)	(7,763)
Certificates of deposits redeemed	-	257,358
Net cash used in investing activities	(2,586,730)	(121,616)
Cash flows from financing activities		
Proceeds from contributions restricted for long-term assets	1,728,882	2,993,773
Net increase in cash, cash equivalents, and restricted cash	(1,564,656)	3,805,313
Cash, cash equivalents, and restricted cash - beginning of year	4,779,561	974,248
Cash, cash equivalents, and restricted cash - end of year	\$ 3,214,905	\$ 4,779,561
Schedule of non-cash investing and financing activities		
Establishment of ROU asset and operating lease liability	\$ 678,709	\$ -

See accompanying notes to the financial statements

Catholic Charities of Southern Missouri, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Years Ended June 30, 2023 and 2022

1. Summary of Significant Accounting Policies

Nature of operations: Catholic Charities of Southern Missouri, Inc. (CCSOMO) was incorporated in 2009 and is an affiliated organization of the Roman Catholic Diocese of Springfield-Cape Girardeau (the Diocese). CCSOMO is a not-for-profit organization whose mission and principal activities are to provide services including case management, counseling, disaster response, housing, pregnancy services, and senior services for Southern Missouri, primarily through grant and contribution funding.

Principles of consolidation: The accompanying consolidated financial statements include the accounts of CCSOMO and its subsidiary, Consumer Credit Counseling of Springfield, Missouri, Inc. (CCCS). CCSOMO has both an economic interest in and control of through a majority voting interest in CCCS' governing board. All significant interorganizational transactions have been eliminated in consolidation. The subsidiary is as follows:

CCCS is a not-for-profit membership corporation whose sole voting member is CCSOMO. The Organization assists individuals with debt problems by offering constructive advice and counseling and/or through a debt management program. CCCS also provides counseling as a HUD certified Housing Counseling Agency. Funding for CCCS is provided from creditors, fees from clients, and grants.

In October 2023, both organizations' boards approved a separation agreement which provides CCSOMO is no longer the sole corporate member of CCCS.

Adoption of a new accounting standard: Effective July 1, 2022, the Organization adopted FASB ASC 842 *Leases*. The Organization determines if an arrangement contains a lease at inception based on whether the Organization has the right to control the asset during the contract period and other facts and circumstances. The Organization elected the package of practical expedients permitted under the transition guidance within the new standard. Among other things, the Organization elected (i) to not reassess under the new standard any prior conclusions about lease identification, lease classification, and initial direct costs; (ii) to elect the short-term lease recognition exemption for all leases that qualify, meaning the Organization will not recognize right-of-use (ROU) assets or lease liabilities for existing short-term leases; and (iii) to not separate lease and non-lease components.

The Organization adopted the new standard on July 1, 2022 and elected to use the effective date as the date of initial application. Consequently, financial information will not be updated, and the disclosures will not be provided for dates and periods before adoption. Results for periods beginning prior to July 1, 2022 continue to be reported in accordance with historical accounting treatment.

FASB ASC 842 establishes a ROU asset model that requires a lessee to record an ROU asset and a lease liability on the statement of financial position for all leases with terms longer than twelve months. Leases with a term of less than 12 months will not record an ROU asset and lease liability and the payments will be recognized into profit or loss on a straight-line basis over the lease term. Leases are classified as either operating or financing, based on criteria established in FASB ASC 842. ROU assets resulting from leases represent the Organization's right to use an underlying asset and are based upon the determination of the related lease liability. Lease liabilities represent the present value of the lease payments not yet paid. Operating leases result in lease expense being recognized as the ROU asset and lease liability are reduced.

Catholic Charities of Southern Missouri, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Years Ended June 30, 2023 and 2022

Financing leases result in amortization expense related to the ROU asset and interest expense related to the lease liability being recognized as separate components in the consolidated financial statements.

The adoption of FASB ASC 842 resulted in the recognition of operating ROU assets and operating lease liabilities in the amount of \$678,709 on July 1, 2022.

To determine the lease liability, the Organization uses the interest rate implicit in the lease when available. When the implicit rate is not readily available, the Organization has elected to use the borrowing rate available as of the adoption date of FASB ASC 842 or lease commencement date. The Organization estimates the incremental borrowing rate primarily by reference to bank-provided information and the Organization's current borrowing rates.

Accounting pronouncement adopted: During the year ended June 30, 2022, the Organization adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958), as amended. The ASU applies to the presentation and disclosure of the valuation of contributed nonfinancial assets. Results for reporting the years ending June 30, 2023 and 2022 is presented under FASB ASC Topic 958.

Basis of presentation: Catholic Charities of Southern Missouri, Inc. and Subsidiary is required to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets not subject to donor-imposed restrictions may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors must be expended in accordance with donor restrictions. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. At June 30, 2023 and 2022, the Organization had no funds held in perpetuity.

Donor restricted contributions and government grants are reported as increases in net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or the purpose is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and net assets as net assets released from restriction.

Accounting estimates: Management uses estimates and assumptions in preparing these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the

Catholic Charities of Southern Missouri, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Years Ended June 30, 2023 and 2022

reported amounts of revenues and expenses during the reporting period. Actual results could vary from the estimates that were used.

Grants and contributions receivable and credit policies: Grants receivable are stated at the amount billed to the funding source. Payments of grants receivable are allocated to the specific invoices identified on the remittance advice.

Contributions receivable are unconditional promises to give. Amounts that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the promise is received. Amortization of the discount is included in revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met.

Management individually reviews all receivable balances and based on an assessment of current creditworthiness, estimates the portion of the balance that will not be collected. Management has concluded that realization losses on balances outstanding at year-end will be immaterial. It is the Organization's policy to not charge finance charges on past due accounts.

Investments and beneficial interest: The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position.

Investment income and loss includes dividends, interest, realized and unrealized gains on investments carried at fair value, and fees associated with investment maintenance. Investment income and loss is reflected in the statements of activities and net assets as with donor restrictions or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

The Organization maintains pooled investment accounts for its funds as approved by the board of directors. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated quarterly to the individual funds based on the relationship of the fair value of the interest of each individual fund to the total fair value of the pooled investments, as computed using the weighted average that reflects addition to or deductions from those accounts.

Property and equipment and depreciation: Property and equipment have been stated at cost. Depreciation has been computed by applying the straight-line method and the following estimated lives:

<u>Category</u>	<u>Estimated Life</u>
Buildings and improvements	5-40 years
Equipment and furniture	3-25 years
Leasehold improvements	2-40 years

Acquisitions of property and equipment or repairs, maintenance, or betterments in excess of \$5,000, or which materially prolong the useful lives of assets, are capitalized.

Catholic Charities of Southern Missouri, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Years Ended June 30, 2023 and 2022

Refundable advance: Refundable advance in the accompanying consolidated statements of financial position consists of grant funds which must be returned if not spent. The grant funds received in advance are recognized over the period the expenditure is incurred.

Tax exempt status: The Organization has been classified as an exempt organization under Internal Revenue Code Section 501(c)(3).

The Organization has analyzed the tax positions taken and has concluded that as of June 30, 2023 and 2022, there are no uncertain positions taken, or expected to be taken, that would require recognition of an asset or liability or disclosure in the consolidated financial statements. A tax asset or liability would be recognized if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization does not believe it likely that changes will occur within the next fiscal year that will have a material impact on the consolidated financial statements.

Revenue recognition: The Organization recognizes revenue using the following methods.

Contributions and grants: Contributions are recognized when cash, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction. The majority of grants received by the Organization are nonreciprocal. Therefore, revenue is recognized as obligations are met.

Special events: Fundraising event revenue consists of event sponsorships and ticket sales. Event sponsorships result in minimal benefit to the sponsor. Therefore, payments are considered to be contributions. Ticket sales, which comprise both exchange and non-exchange transactions, are covered by FASB ASU Topic 606. Management has evaluated the special events transactions by estimating the value of the goods provided to participants and sponsors and has determined the amounts to be immaterial.

Fees for service: For program service fees, revenue is recognized when the related obligation is met.

Nonfinancial contributions: The Organization may receive nonfinancial contributions in carrying out its mission of providing for at risk youth and families. Donated rent and goods received are recorded as nonfinancial contributions in the accompanying consolidated financial statements at its estimated fair value at the date of donation using comparable market rate rents and wholesale prices of identical or similar products respectively and expense when it meets the needs of the children served. The Organization does not monetize any contributed nonfinancial asset that meets the criteria of a child at risk.

Contributed services: The Organization receives a substantial amount of services donated by volunteers in carrying out the Organization's programs and fundraising. No amounts have been reflected in the

Catholic Charities of Southern Missouri, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Years Ended June 30, 2023 and 2022

consolidated financial statements for those services since they do not meet the criteria for recognition under accounting principles generally accepted in the United States of America.

Paycheck Protection Program: The Organization initially recorded Paycheck Protection Program loans as refundable advances and subsequently recognized grant revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and a right of return of the PPP no longer exist.

Consolidated statement of cash flows: Cash equivalents include time deposits, certificates of deposit, money market funds, and all highly liquid debt instruments with maturities of six months or less at the date of their acquisition.

Advertising costs: The Organization expenses non-direct response advertising costs as they are incurred. The Organization incurred non-direct response advertising costs of \$30,568 and \$27,882, respectively, during the years ended June 30, 2023 and 2022.

Functional expense allocation: The cost of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and net assets. The statement of functional expenses presents the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis. All other costs have been directly applied.

The allocated expenses include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Wages, employee benefits, and payroll taxes	Time and effort
Rent	Square footage
Telephone and internet	Full time equivalent
Information technology	Full time equivalent
Insurance	Full time equivalent
Equipment, maintenance and repairs	Full time equivalent
Depreciation	Square footage
Utilities	Full time equivalent

Fair value measurement: The definition of fair value focuses on the exit price (i.e., 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) not the entry price (i.e., the price that would be paid to acquire the asset or received to assume the liability at the measurement date). The statement emphasizes that fair value is a market-based measurement; not an entity-specific measurement. Therefore, the fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability.

Catholic Charities of Southern Missouri, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Years Ended June 30, 2023 and 2022

2. Availability and Liquidity

As a part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. Excess cash may be invested with the diocese, money market accounts, or certificates of deposit. The following represents the Organization's financial assets at June 30, 2023 and 2022, available to meet general expenditures over the next 12 months:

	<u>2023</u>	<u>2022</u>
Cash and equivalents	\$ 594,842	\$ 336,290
Restricted cash	56,179	1,384,773
Trust funds invested with diocese	35,406	285,011
Grant funds receivable	768,365	1,338,281
Financial assets available to meet general expenditures over the next 12 months	<u><u>\$ 1,454,792</u></u>	<u><u>\$ 3,344,355</u></u>

3. Cash and Cash Equivalents

The following table provides a reconciliation of cash and restricted cash reported within the consolidated statement of financial position that sum to the total in the consolidated statements of cash flows as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 594,842	\$ 336,290
Emergency Rental Assistance restricted cash - CCSOMO	-	459,149
Emergency Rental Assistance restricted cash - CCCS	-	876,410
Custodial accounts - CCCS	52,856	49,214
Lifefhouse custodial accounts - CCSOMO	3,323	-
LifeHouse East Crisis Maternity Home	2,563,884	3,058,498
Total cash, cash equivalents, and restricted cash	<u><u>\$ 3,214,905</u></u>	<u><u>\$ 4,779,561</u></u>

4. Investments

Beneficial interest in community foundation and trust funds invested with diocese, as presented in the current assets section of the consolidated statements of financial position, consists of funds held at the Community Foundation of the Ozarks and The Diocese of Springfield-Cape Girardeau. The investment structure of the assets is to seek higher returns than a cash account while providing reasonable stability of principal.

Catholic Charities of Southern Missouri, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Years Ended June 30, 2023 and 2022

5. Grants and Contributions Receivable

Grants and contributions receivable consist of the following unconditional promises to give as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Gross unconditional promises to give	\$ 1,279,055	\$ 2,230,780
Less allowance for uncollectibles	-	-
Less unamortized discount	(5,394)	(21,442)
Net unconditional promises to give	<u>\$ 1,273,661</u>	<u>\$ 2,209,338</u>
Due in less than one year	\$ 1,096,898	\$ 1,749,868
Due in one to five years	176,763	459,470
Net unconditional promises to give	<u>\$ 1,273,661</u>	<u>\$ 2,209,338</u>

The unamortized discount was calculated using an average rate of 3%.

6. Property and Equipment

	<u>2023</u>	<u>2022</u>
Land	\$ 1,132,576	\$ 1,132,576
Construction in progress	3,192,749	554,566
Building and improvements	1,184,578	1,184,578
Leasehold improvements	225,970	203,198
Equipment and furniture	996,540	826,148
	<u>6,732,413</u>	<u>3,901,066</u>
Less accumulated depreciation	1,133,476	1,031,011
Total	<u>\$ 5,598,937</u>	<u>\$ 2,870,055</u>

During September 2021, the Organization commenced building The LifeHouse East Crisis Maternity Home building. This building project is included in construction in progress above. Management estimates the total cost of the project to be approximately \$9,606,400 with a completion date of approximately April 2024.

7. Debt

At June 30, 2023, the Organization has an unused line of credit with a maximum draw of \$400,000 with Roman Catholic Diocese of Springfield-Cape Girardeau. The note has a 8.0% interest rate and matures April 2024.

Catholic Charities of Southern Missouri, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Years Ended June 30, 2023 and 2022

8. Net Assets

Net assets with donor restrictions were as follows for the years ended June 30, 2023 and 2022, and are available for the following purposes or periods:

	<u>2023</u>	<u>2022</u>
Specific Purpose		
LifeHouse East Crisis Maternity Home	\$ 5,397,683	\$ 4,193,584
CFO LifeHouse Capacity	20,927	20,213
Total donor restricted net assets	<u>\$ 5,418,610</u>	<u>\$ 4,213,797</u>

Net assets released from donor restrictions are as follows:

	<u>2023</u>	<u>2022</u>
Satisfaction of purpose restrictions		
Program activities	\$ 512,678	\$ 587,566
LifeHouse East Crisis Maternity Home	137,774	151,605
Total net assets released from donor restrictions	<u>\$ 650,452</u>	<u>\$ 739,171</u>

9. Nonfinancial Contributions

Nonfinancial contributions as presented in the statements of activities and net assets consist of the following:

	<u>2023</u>	<u>2022</u>
Property and equipment	\$ -	\$ 245,000
Rent	70,000	120,000
Goods and supplies	107,038	10,997
Total nonfinancial contributions	<u>\$ 177,038</u>	<u>\$ 375,997</u>

10. Multiemployer Defined Pension Plan

The Organization contributes to a multiemployer defined benefit church plan, the Christian Brothers Employee Retirement Plan.

<u>Plan Name</u>	<u>EIN</u>	<u>Plan Number</u>	<u>Pension Protection Act Zone Status</u>	
			<u>2023</u>	<u>2022</u>
Christian Brothers Employee Retirement Plan	36-2671613	333	Green	Green

Catholic Charities of Southern Missouri, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Years Ended June 30, 2023 and 2022

The Organization does not directly manage this multiemployer plan, which is managed by a board of trustees. The Organization's full-time employees are participants in the multiemployer plan, subject to eligibility requirements. The contributions to the plan was \$288,049 and \$260,089 for the years ended June 30, 2023 and 2022, respectively. The risks of participating in a multiemployer plan are different from a single employer plan in the following aspects:

Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.

If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

If an employer chooses to stop participating in a multiemployer plan, the Organization may be required to pay the plan an amount based on the underfunded status of the plan - referred to as a withdrawal liability.

The Organization's contributions above did not represent more than 5% of the total contributions to the Plan. The Plan is not subject to any collective bargaining agreements, funding improvement or rehabilitation plans, and the Organization did not pay any surcharges to the Plan for the years ended June 30, 2023 and 2022.

The Organization also participates in the 403 (b) Trust, a defined contribution 401(k) Plan. At June 30, 2023 and 2022 the Organization did not make any employer contributions to the plan.

11. Leases

The Organization is obligated under terms of operating leases with unrelated parties for buildings. Monthly payments for buildings leases in Springfield, Sikeston, Joplin, and Cape Girardeau ranging from \$1,925 to \$5,577 through 2027 and are included in the measurement of lease assets and liabilities. The Organization also receives in-kind rent for its Springfield, Missouri facility (see Note 9).

The ROU assets related to operating leases for buildings are amortized on a straight-line basis over the assets' remaining useful lives. Lease expense is recognized as the ROU assets and lease liabilities are reduced. At June 30, 2023 the weighted average remaining lease term for all operating leases is 2.91 years. The weighted average discount rate associated with the operating leases as of June 30, 2023 is 3.5%.

During the year ended June 30, 2023, total rent expense associated with leases is as follows:

Operating lease costs:		
Fixed rent expense	\$	214,753
Short-term lease cost		114,329
Total lease cost	\$	<u>329,082</u>

Catholic Charities of Southern Missouri, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Years Ended June 30, 2023 and 2022

Future minimum lease payments under operating leases as of June 30, 2023, are as follows:

2024	\$	228,228
2025		142,370
2026		63,479
2027		50,004
2028		25,002
		<u>509,083</u>
Less: effect of discounting		(24,386)
Lease liabilities recognized	\$	<u>484,697</u>

12. Fair Value Measurement

The Organization has an established process for determining fair values. Fair value is based upon quoted market prices, where available. If listed prices or quotes are not available, fair value is based upon internally developed models or processes that use primarily market-based or independently sourced market data, including interest rate yield curves, option volatilities and third-party information. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. Furthermore, while the Organization 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 estimate of fair value at the reporting date.

Valuation Hierarchy

ASC 820 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1: inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3: inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Following is a description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Assets held at Community Foundation of the Ozarks and the Diocese of Springfield-Cape Girardeau, where quoted prices are available in an active market, securities are classified within Level 1 of the valuation

Catholic Charities of Southern Missouri, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Years Ended June 30, 2023 and 2022

hierarchy. Level 1 securities include highly liquid government securities and certain other products. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows and are classified within Level 2 of the valuation hierarchy. In certain cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within level 3 of the valuation hierarchy.

The following tables present the financial instruments carried at fair value on a recurring basis as of June 30, 2023 and 2022, by caption on the consolidated statement of financial position and by ASC 820 valuation hierarchy:

June 30, 2023				
	Fair Value	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Assets held at Community Foundation of the Ozarks	\$ 186,028	-	\$ 186,028	-
Assets held at The Diocese of Springfield-Cape Girardeau	35,406	-	35,406	-
	<u>\$ 221,434</u>	<u>\$ -</u>	<u>\$ 221,434</u>	<u>\$ -</u>
June 30, 2022				
	Fair Value	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Assets held at Community Foundation of the Ozarks	\$ 174,476	-	\$ 174,476	-
Assets held at The Diocese of Springfield-Cape Girardeau	285,011	-	285,011	-
	<u>\$ 459,487</u>	<u>\$ -</u>	<u>\$ 459,487</u>	<u>\$ -</u>

During the years ended June 30, 2023 and 2022, the Organization had no financial instruments classified within Level 3 of the valuation hierarchy for assets and liabilities measured at fair value on a recurring basis.

13. Related Party Transactions

The Diocese of Springfield-Cape Girardeau (the Diocese) is an affiliated organization for Catholic Charities of Southern Missouri, Inc. The Organization invests excess funds (see Note 7) and has a management agreement with the Diocese for administrative services. The Organization entered into a lease with the Diocese for its Springfield, Missouri location, with monthly payments of \$4,167. See Note 11 for further discussion of leases.

Catholic Charities of Southern Missouri, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Years Ended June 30, 2023 and 2022

The following are the related party transactions for the for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
The Diocese of Springfield-Cape Girardeau		
Office expenses paid by the Diocese on behalf of the Organization	\$ 35,429	\$ 24,244
Rent expense	\$ 50,000	\$ 50,000
LifeHouse pledge receivable	\$ 25,000	\$ 50,000
Accounts payable due to diocese	\$ 10,880	\$ 38,419

14. Contingencies

The Organization receives a portion of its funding for projects through various federal and state grants for specific purposes that are subject to audit by grantor agencies. Compliance audits conducted by those agencies in the future could lead to disallowed cost relating to the current period. However, the Organization expects such amounts, if any, to be immaterial.

15. Concentration of Credit Risk

The Organization maintains bank accounts at various financial institutions. At June 30, 2023, the balance held with Guaranty Bank and First Missouri State Bank exceeded the standard FDIC insurance limits.

During the year ended June 30, 2023, CCSOMO and CCCS received approximately \$1,134,486 and \$3,215,555, respectively, in grants from the United States Department of Treasury under the Emergency Rental Assistance Program. The grant concluded in September 2022 and was not renewed.

16. Subsequent Events

Management has evaluated subsequent events between the end of the most recent fiscal year end and March 29, 2024, the date the consolidated financial statements were available to be issued.

During a previous year, the Organization started a capital campaign fund for LifeHouse Cape-Girardeau. Subsequent to June 30, 2023, the capital campaign collected approximately \$295,400 of outstanding pledges receivable and received an additional \$127,400 in contributions. The Organization continues its LifeHouse East Crisis Maternity Home building project with an anticipated completion during the year end June 30, 2024. The total estimated cost of the completion is \$9,606,400. Related to the project, the Organization has secured federal and state grants of \$4,627,000, pledges and contributions exceeding \$5,360,000, and construction loan financing from First Missouri Bank of \$4,000,000.

In October 2023, the Organization's board approved a separation agreement which provides that the Organization is no longer the sole corporate member of Consumer Credit Counseling of Springfield, Missouri, Inc. (CCCS). As a result, the Organization will no longer retain any governance authority with respect to CCCS. There is no transfer of assets or liabilities between the Organization and CCCS with respect to the separation agreement.

Supplementary Information

Catholic Charities of Southern Missouri, Inc. and Subsidiary

Supplementary Information – Consolidating Statement of Financial Position

June 30, 2023

	Catholic Charities	Consumer Credit Counseling	Eliminations	Total
Assets				
Current Assets				
Cash and cash equivalents	\$ 578,625	\$ 16,217	\$ -	\$ 594,842
Restricted cash	3,323	52,856	-	56,179
Beneficial interest in CFO	55,347	130,681	-	186,028
Trust funds invested with diocese	35,406	-	-	35,406
Grant funds receivable	768,365	-	-	768,365
Contributions receivable, net	328,533	-	-	328,533
Other current assets	23,821	-	(16,534)	7,287
Prepaid expenses	17,673	5,989	-	23,662
Total current assets	1,811,093	205,743	(16,534)	2,000,302
Property and equipment				
Cost	5,783,248	949,165	-	6,732,413
Less accumulated depreciation	706,597	426,879	-	1,133,476
Net property and equipment	5,076,651	522,286	-	5,598,937
Other Assets				
Contributions receivable, noncurrent	176,759	-	-	176,759
Right of use asset	484,697	-	-	484,697
Restricted cash - long-term assets	2,563,888	-	-	2,563,888
Investment in subsidiary	585,105	-	(585,105)	-
Total other assets	3,810,449	-	(585,105)	3,225,344
Total Assets	\$ 10,698,193	\$ 728,029	\$ (601,639)	\$10,824,583
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	\$ 727,213	\$ 111,811	\$ (16,534)	\$ 822,490
Accrued expenses	321,334	28,181	-	349,515
Refundable advance	301,887	2,932	-	304,819
Lease liability - current portion	215,400	-	-	215,400
Total current liabilities	1,565,834	142,924	(16,534)	1,692,224
Long-term operating lease liability	269,297	-	-	269,297
Net Assets				
Without donor restriction	3,444,452	585,105	(585,105)	3,444,452
With donor restriction	5,418,610	-	-	5,418,610
Total net assets	8,863,062	585,105	(585,105)	8,863,062
Total Liabilities and Net Assets	\$ 10,698,193	\$ 728,029	\$ (601,639)	\$10,824,583

See Independent Auditors' Report

Catholic Charities of Southern Missouri, Inc. and Subsidiary

Supplementary Information – Consolidating Statement of Activities and Net Assets

June 30, 2023

	Catholic Charities	Consumer Credit Counseling	Eliminations	Total
Public Support and Revenues				
Contributions and net special events	\$ 2,582,730	\$ 74,792	\$ -	\$ 2,657,522
Nonfinancial contributions	177,038	-	-	177,038
Grants	7,990,346	3,319,066	-	11,309,412
Fees for service	827	176,309	-	177,136
Paycheck Protection Program income	-	-	-	-
Other income	108,699	8,390	-	117,089
Investment income	269	11,197	-	11,466
Income from subsidiary	(165,413)	-	165,413	-
Total public support and revenues	10,694,496	3,589,754	165,413	14,449,663
Net assets released from restrictions	-	-	-	-
Total public support, revenues and reclassifications	10,694,496	3,589,754	165,413	14,449,663
Expenses				
Program services	8,447,028	3,600,093	-	12,047,121
Management and general	1,290,473	144,928	-	1,435,401
Fundraising	254,769	10,146	-	264,915
Total expenses	9,992,270	3,755,167	-	13,747,437
Change in net assets	702,226	(165,413)	165,413	702,226
Net Assets - beginning of year	8,160,836	750,518	(750,518)	8,160,836
Net Assets - end of year	\$ 8,863,062	\$ 585,105	\$ (585,105)	\$ 8,863,062

See Independent Auditors' Report