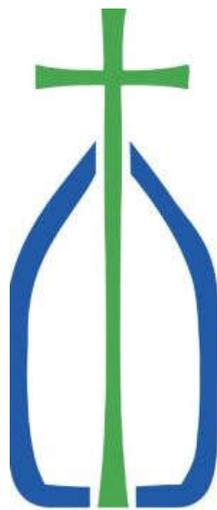




SJT GROUP LLC
CERTIFIED PUBLIC ACCOUNTANTS



Catholic Charities
Honoring Human Dignity

Since 1945 **Headquartered in Albuquerque, NM**

Independent Auditor's Report,
Consolidated Financial Statements,
Supplementary Information,
and
Single Audit Information

June 30, 2024 and 2023

Catholic Charities

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1-3
Consolidated Financial Statements	
Consolidated Statements of Financial Position	4-5
Consolidated Statements of Activities	6-7
Consolidated Statements of Functional Expenses	8-11
Consolidated Statements of Cash Flows	12-13
Notes to the Consolidated Financial Statements	14-29
Supplementary Information	
Consolidating Statement of Financial Position	30
Consolidating Statement of Activities	31-32
Single Audit Information	
Schedule of Expenditures of Federal Awards	33
Notes to the Schedule of Expenditures of Federal Awards	34-35
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	36-37
Independent Auditor's Report on Compliance for the Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	38-40
Schedule of Findings and Questioned Costs	41-42
Summary Schedule of Prior Year Audit Findings	43



Independent Auditor's Report

Board of Directors
Catholic Charities

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Catholic Charities and its subsidiaries Hibernian House and CC Housing, Inc. (collectively “Catholic Charities”, a nonprofit organization), 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 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 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 Opinions

We conducted our audits 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 Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Catholic Charities and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Consolidated 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.

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’ ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Consolidated 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 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' 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' 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 consolidating statements on pages 30-32 are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards on page 33, 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 also 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 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 November 19, 2024, on our consideration of Catholic Charities' 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 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 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' internal control over financial reporting and compliance.

SJT Group LLC

Albuquerque, New Mexico
November 19, 2024

Consolidated Financial Statements

Catholic Charities
Consolidated Statements of Financial Position
June 30,

	2024	2023
Assets		
Current assets		
Cash and cash equivalents	\$ 985,010	\$ 434,541
Accounts receivable, net	137,216	141,405
Contracts and grants receivable, net	610,871	547,582
Unconditional promises to give, net	31,610	18,358
Prepaid expenses, current portion	16,316	7,226
Notes receivable, current portion	103,204	98,671
Total current assets	1,884,227	1,247,783
Noncurrent assets		
Replacement reserves	58,340	57,029
Agency trust deposits	37,304	37,304
Restricted cash and cash equivalents	176,621	286,877
Security deposits	9,849	5,572
Prepaid expenses, net of current portion	56,631	59,875
Notes receivable, net of current portion	5,897,610	6,003,432
Property and equipment, net	7,743,660	7,967,746
Total noncurrent assets	13,980,015	14,417,835
Total assets	\$ 15,864,242	\$ 15,665,618

The accompanying notes are an integral part of these financial statements.

Catholic Charities
Consolidated Statements of Financial Position – continued
June 30,

	2024	2023
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 145,429	\$ 88,899
Payroll and related liabilities	123,856	113,813
Accrued paid time off	112,350	73,867
Deferred revenue	56,477	129,115
Long-term debt, current portion	123,992	124,886
Total current liabilities	562,104	530,580
Noncurrent liabilities		
Security deposits	4,446	4,799
Capital advance from the U.S. Department of Housing and Urban Development (HUD)	1,183,300	1,183,300
Long-term debt, net of current portion and unamortized debt issuance costs	6,103,881	6,237,732
Total noncurrent liabilities	7,291,627	7,425,831
Total liabilities	7,853,731	7,956,411
Net assets		
Without donor restrictions	7,806,708	7,509,255
With donor restrictions	203,803	199,952
Total net assets	8,010,511	7,709,207
Total liabilities and net assets	\$ 15,864,242	\$ 15,665,618

The accompanying notes are an integral part of these financial statements.

Catholic Charities
Consolidated Statement of Activities
For the Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contracts and grants			
Federal	\$ 1,811,580	\$ -	\$ 1,811,580
Non-federal	2,566,516	-	2,566,516
Total contracts and grants	4,378,096	-	4,378,096
Contributions			
Monetary	1,398,425	16,750	1,415,175
Archdiocese of Santa Fe	160,417	-	160,417
In-kind	190,579	-	190,579
United Way	34,701	-	34,701
Total contributions	1,784,122	16,750	1,800,872
Other support and revenue			
Program fees	570,786	-	570,786
Special events	244,837	-	244,837
Rental income	60,125	-	60,125
Other income	234,228	-	234,228
Investment income	158,941	-	158,941
Total other support and revenue	1,268,917	-	1,268,917
Net assets released from restrictions	12,899	(12,899)	-
Total support and revenue	7,444,034	3,851	7,447,885
Expenses			
Program services			
Self-sufficiency and housing assistance	2,338,888	-	2,338,888
Educational opportunity	818,457	-	818,457
Children's learning center	1,247,056	-	1,247,056
Immigration and citizenship assistance	485,342	-	485,342
Refugee resettlement and support	183,144	-	183,144
Community involvement	400,626	-	400,626
Hibernian House	134,439	-	134,439
Affordable housing	312,077	-	312,077
Total program services	5,920,029	-	5,920,029
Supporting services			
Management and general	882,054	-	882,054
Fundraising	344,498	-	344,498
Total supporting services	1,226,552	-	1,226,552
Total expenses	7,146,581	-	7,146,581
Change in net assets	297,453	3,851	301,304
Net assets, beginning of year	7,509,255	199,952	7,709,207
Net assets, end of year	\$ 7,806,708	\$ 203,803	\$ 8,010,511

The accompanying notes are an integral part of these financial statements.

Catholic Charities
Consolidated Statement of Activities
For the Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contracts and grants			
Federal	\$ 1,972,729	\$ -	\$ 1,972,729
Non-federal	2,365,154	-	2,365,154
Total contracts and grants	4,337,883	-	4,337,883
Contributions			
Monetary	812,740	65,103	877,843
Archdiocese of Santa Fe	204,627	-	204,627
In-kind	197,897	-	197,897
United Way	41,546	-	41,546
Total contributions	1,256,810	65,103	1,321,913
Other support and revenue			
Program fees	509,571	-	509,571
Special events	241,847	-	241,847
Rental income	63,559	-	63,559
Other income	25,401	-	25,401
Investment income	186,394	-	186,394
Total other support and revenue	1,026,772	-	1,026,772
Net assets released from restrictions	63,224	(63,224)	-
Total support and revenue	6,684,689	1,879	6,686,568
Expenses			
Program services			
Self-sufficiency and housing assistance	2,142,514	-	2,142,514
Educational opportunity	745,039	-	745,039
Children's learning center	1,179,780	-	1,179,780
Immigration and citizenship assistance	536,561	-	536,561
Refugee resettlement and support	268,166	-	268,166
Community involvement	288,645	-	288,645
Hibernian House	129,362	-	129,362
Affordable housing	311,365	-	311,365
Total program services	5,601,432	-	5,601,432
Supporting services			
Management and general	1,029,533	-	1,029,533
Fundraising	350,452	-	350,452
Total supporting services	1,379,985	-	1,379,985
Total expenses	6,981,417	-	6,981,417
Change in net assets	(296,728)	1,879	(294,849)
Net assets, beginning of year	7,805,983	198,073	8,004,056
Net assets, end of year	\$ 7,509,255	\$ 199,952	\$ 7,709,207

The accompanying notes are an integral part of these financial statements.

Catholic Charities
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2024

	Program Services						
	Self-Sufficiency and Housing Assistance	Educational Opportunity	Children's Learning Center	Immigration/ Citizenship Assistance	Refugee Resettlement and Support	Community Involvement	Hibernian House
Salaries, payroll taxes, and benefits	\$ 672,173	\$ 518,025	\$ 920,013	\$ 343,293	\$ 107,276	\$ 219,140	\$ 21,343
Special assistance	1,437,886	-	-	523	22,259	41,071	-
Repairs and maintenance	42,688	52,619	48,929	16,576	10,358	17,271	16,680
In-kind	67,781	-	-	11,340	27,035	84,423	-
Utilities and telephone	26,175	21,090	19,525	16,199	4,224	7,138	10,270
Interest	6,052	22,351	21,433	5,342	1,149	2,430	-
Miscellaneous	2,343	8,385	7,936	1,800	1,285	1,926	9,627
Contract services	15,671	34,361	9,781	26,473	1,363	129	10,420
Dues and subscriptions	4,050	51,768	5,374	3,307	753	4,062	-
Supplies	493	2,321	67,925	379	-	1,111	10,579
Insurance	7,132	15,935	15,763	4,319	1,050	3,420	7,703
Food	-	-	61,426	-	-	49	-
Special events	-	1,719	2,231	-	557	-	-
Legal fees	1,518	-	242	2,416	-	1,308	-
Rent	27,955	-	-	1,952	2,350	3,628	2,417
Printing and related equipment lease	1,898	2,723	1,864	3,530	-	218	-
Travel, meetings, and conferences	5,731	9,639	316	6,027	204	2,794	87
Audit and accounting fees	2,963	1,348	1,510	919	315	117	5,127
Bank fees	530	-	1,049	4,049	480	-	-
Staff development	493	2,426	2,105	2,195	-	212	1,187
Postage	721	-	-	2,872	-	143	-
Employee/volunteer appreciation	237	-	708	134	-	860	-
Advertising and marketing	-	288	-	35	-	1,145	-
Bad debt expense	-	-	-	-	-	-	76
Total expenses before depreciation and amortization	<u>2,324,490</u>	<u>744,998</u>	<u>1,188,130</u>	<u>453,680</u>	<u>180,658</u>	<u>392,595</u>	<u>95,516</u>
Depreciation and amortization	<u>14,398</u>	<u>73,459</u>	<u>58,926</u>	<u>31,662</u>	<u>2,486</u>	<u>8,031</u>	<u>28,503</u>
Total expenses	<u>\$ 2,338,888</u>	<u>\$ 818,457</u>	<u>\$ 1,247,056</u>	<u>\$ 485,342</u>	<u>\$ 183,144</u>	<u>\$ 400,626</u>	<u>\$ 124,019</u>

The accompanying notes are an integral part of these financial statements.

Catholic Charities
Consolidated Statement of Functional Expenses – continued
For the Year Ended June 30, 2024

	Program Services		Supporting Services			Total Expenses
	Affordable Housing	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries, payroll taxes, and benefits	\$ 129,564	\$ 2,930,827	\$ 710,656	\$ 228,671	\$ 939,327	\$ 3,870,154
Special assistance	-	1,501,739	-	-	-	1,501,739
Repairs and maintenance	6,261	211,382	43,253	7,777	51,030	262,412
In-kind	-	190,579	-	-	-	190,579
Utilities and telephone	2,170	106,791	18,272	5,883	24,155	130,946
Interest	51,732	110,489	11,279	2,988	14,267	124,756
Miscellaneous	64,467	97,769	3,527	1,098	4,625	102,394
Contract services	414	98,612	250	-	250	98,862
Dues and subscriptions	441	69,755	10,181	10,815	20,996	90,751
Supplies	3	82,811	5,033	28	5,061	87,872
Insurance	35	55,357	7,502	2,166	9,668	65,025
Food	-	61,475	-	2,730	2,730	64,205
Special events	-	4,507	1,281	47,686	48,967	53,474
Legal fees	46,376	51,860	258	824	1,082	52,942
Rent	-	38,302	152	-	152	38,454
Printing and related equipment lease	338	10,571	2,565	13,972	16,537	27,108
Travel, meetings, and conferences	-	24,798	1,389	37	1,426	26,224
Audit and accounting fees	9,940	22,239	1,328	648	1,976	24,215
Bank fees	32	6,140	4,935	8,386	13,321	19,461
Staff development	-	8,618	6,633	18	6,651	15,269
Postage	50	3,786	6,628	1,860	8,488	12,274
Employee/volunteer appreciation	-	1,939	1,623	211	1,834	3,773
Advertising and marketing	-	1,468	258	58	316	1,784
Bad debt expense	-	76	-	-	-	76
Total expenses before depreciation and amortization	<u>311,823</u>	<u>5,691,890</u>	<u>837,003</u>	<u>335,856</u>	<u>1,172,859</u>	<u>6,864,749</u>
Depreciation and amortization	254	217,719	55,471	8,642	64,113	281,832
Total expenses	<u>\$ 312,077</u>	<u>\$ 5,909,609</u>	<u>\$ 892,474</u>	<u>\$ 344,498</u>	<u>\$ 1,236,972</u>	<u>\$ 7,146,581</u>

The accompanying notes are an integral part of these financial statements.

Catholic Charities
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2023

	Program Services						
	Self-Sufficiency and Housing Assistance	Educational Opportunity	Children's Learning Center	Immigration/ Citizenship Assistance	Refugee Resettlement and Support	Community Involvement	Hibernian House
Salaries, payroll taxes, and benefits	\$ 516,681	\$ 437,388	\$ 888,282	\$ 349,919	\$ 72,361	\$ 171,791	\$ 40,870
Special assistance	1,276,384	20,028	90	-	126,332	45,849	-
Repairs and maintenance	33,586	112,333	52,262	16,577	8,043	7,893	8,912
In-kind	131,270	-	500	1,275	39,608	25,244	-
Utilities and telephone	29,407	16,037	15,187	17,671	5,790	6,811	11,046
Interest	7,486	26,393	23,868	6,613	1,669	2,498	-
Miscellaneous	3,943	5,524	3,406	1,142	1,116	1,043	9,041
Contract services	77,787	25,193	19,596	81,402	5,727	3,748	8,999
Dues and subscriptions	5,530	8,700	6,028	5,473	1,149	1,477	-
Supplies	187	18,013	42,899	1,762	100	359	8,361
Insurance	5,554	8,424	9,514	3,304	580	2,534	6,147
Food	-	332	46,658	-	220	-	-
Special events	-	346	3,651	-	1,637	30	-
Legal fees	5,981	-	165	-	-	-	-
Rent	18,244	-	-	1,500	-	160	2,092
Printing and related equipment lease	1,825	2,474	1,713	3,194	23	198	-
Travel, meetings, and conferences	3,917	893	449	2,343	124	4,070	408
Audit and accounting fees	5,061	2,301	2,579	1,570	537	200	6,734
Bank fees	-	19	1,200	4,774	-	3	-
Staff development	316	416	987	2,035	-	26	-
Postage	125	57	3	5,359	-	585	-
Employee/volunteer appreciation	176	180	1,019	228	19	2,095	-
Advertising and marketing	32	1,762	1,215	236	-	984	-
Bad debt expense	-	-	-	-	-	-	64
Total expenses before depreciation and amortization	<u>2,123,492</u>	<u>686,813</u>	<u>1,121,271</u>	<u>506,377</u>	<u>265,035</u>	<u>277,598</u>	<u>102,674</u>
Depreciation and amortization	<u>19,022</u>	<u>58,226</u>	<u>58,509</u>	<u>30,184</u>	<u>3,131</u>	<u>11,047</u>	<u>26,688</u>
Total expenses	<u>\$ 2,142,514</u>	<u>\$ 745,039</u>	<u>\$ 1,179,780</u>	<u>\$ 536,561</u>	<u>\$ 268,166</u>	<u>\$ 288,645</u>	<u>\$ 129,362</u>

The accompanying notes are an integral part of these financial statements.

Catholic Charities
Consolidated Statement of Functional Expenses – continued
For the Year Ended June 30, 2023

	Program Services		Supporting Services			Total Expenses
	Affordable Housing	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries, payroll taxes, and benefits	\$ 122,218	2,599,510	\$ 798,235	\$ 240,333	\$ 1,038,568	\$ 3,638,078
Special assistance	-	1,468,683	-	-	-	1,468,683
Repairs and maintenance	5,834	245,440	54,771	9,369	64,140	309,580
In-kind	-	197,897	-	-	-	197,897
Utilities and telephone	12,652	114,601	13,977	6,351	20,328	134,929
Interest	110,175	178,702	10,234	3,755	13,989	192,691
Miscellaneous	20,673	45,888	(122)	839	717	46,605
Contract services	9,107	231,559	40,286	1,317	41,603	273,162
Dues and subscriptions	682	29,039	11,453	7,090	18,543	47,582
Supplies	250	71,931	5,348	192	5,540	77,471
Insurance	320	36,377	6,020	1,164	7,184	43,561
Food	-	47,210	-	-	-	47,210
Special events	-	5,664	778	46,473	47,251	52,915
Legal fees	20,521	26,667	2,517	846	3,363	30,030
Rent	-	21,996	-	-	-	21,996
Printing and related equipment lease	111	9,538	3,952	10,617	14,569	24,107
Travel, meetings, and conferences	933	13,137	(23)	151	128	13,265
Audit and accounting fees	6,734	25,716	1,954	1,106	3,060	28,776
Bank fees	62	6,058	7,060	8,099	15,159	21,217
Staff development	-	3,780	784	-	784	4,564
Postage	152	6,281	4,631	2,348	6,979	13,260
Employee/volunteer appreciation	-	3,717	625	326	951	4,668
Advertising and marketing	28	4,257	-	1,344	1,344	5,601
Bad debt expense	-	64	-	-	-	64
Total expenses before depreciation and amortization	310,452	5,393,712	962,480	341,720	1,304,200	6,697,912
Depreciation and amortization	913	207,720	67,053	8,732	75,785	283,505
Total expenses	\$ 311,365	\$ 5,601,432	\$ 1,029,533	\$ 350,452	\$ 1,379,985	\$ 6,981,417

The accompanying notes are an integral part of these financial statements.

Catholic Charities
Consolidated Statements of Cash Flows
For the Years Ended June 30,

	2024	2023
Cash flows from operating activities		
Cash received from contracts and grants	\$ 4,242,169	\$ 3,606,398
Cash received from contributions	1,597,041	1,119,194
Cash received from program fees	574,975	730,747
Cash received from special events	244,837	241,847
Other cash received	448,664	275,091
Cash paid to employees and suppliers	(6,450,309)	(6,322,664)
Cash paid for interest	(124,756)	(192,691)
Net cash provided (used) by operating activities	532,621	(542,078)
Cash flows from investing activities		
Approved withdrawals from reserve for replacements	14,939	39,530
Deposits to reserve for replacements	(16,250)	(13,634)
Purchases of property and equipment	(55,080)	(35,712)
Net cash used by investing activities	(56,391)	(9,816)
Cash flows from financing activities		
Principal payments collected on notes receivable	101,289	102,897
Principal payments on long-term debt	(137,411)	(793,846)
Net cash used by financing activities	(36,122)	(690,949)
Net change in cash and cash equivalents	440,108	(1,242,843)
Cash and cash equivalents, beginning of year	721,418	1,964,261
Cash and cash equivalents, end of year	\$ 1,161,526	\$ 721,418
Reconciliation to the consolidated statements of financial position		
Cash and cash equivalents - unrestricted	\$ 985,010	\$ 434,541
Cash and cash equivalents - restricted	176,621	286,877
	\$ 1,161,631	\$ 721,418

The accompanying notes are an integral part of these financial statements.

Catholic Charities
Consolidated Statements of Cash Flows - continued
For the Years Ended June 30,

	2024	2023
Reconciliation of change in net assets to net cash provided (used) by operating activities		
Change in net assets	<u>\$ 301,304</u>	<u>\$ (294,849)</u>
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	281,832	283,505
Amortization of prepaid rent	1,500	1,500
Provision for bad debts	76	64
Changes in assets and liabilities:		
Accounts receivable	4,189	221,176
Contracts and grants receivable	(63,289)	(271,861)
Unconditional promises to give	(13,328)	(4,822)
Prepaid expenses	(7,346)	1,270
Security deposits	(4,277)	(352)
Accounts payable	56,530	(4,932)
Payroll and related liabilities	10,043	(21,233)
Accrued paid time off	38,483	7,991
Deferred revenue	(72,638)	(459,624)
Security deposits	<u>(353)</u>	<u>89</u>
Total adjustments	<u>231,422</u>	<u>(247,229)</u>
Net cash provided (used) by operating activities	<u>\$ 532,726</u>	<u>\$ (542,078)</u>
Supplemental disclosure of noncash activities		
In-kind contributions of materials, supplies, and services	<u>\$ 190,579</u>	<u>\$ 197,897</u>

The accompanying notes are an integral part of these financial statements.

Catholic Charities
Notes to the Consolidated Financial Statements
June 30, 2024 and 2023

1) Organization and Nature of Activities

Catholic Charities was incorporated in 1946 and is a faith-based non-profit tax-exempt organization. Catholic Charities is a member of Catholic Charities, USA, the largest nonprofit human services network in the United States. Catholic Charities provides help and creates hope by promoting self-sufficiency, strengthening families, fighting poverty, and building community.

During fiscal year 2002, Catholic Charities assumed control of Hibernian House of New Mexico, Inc. (Hibernian House). The project is operated under Section 202 of the National Housing Act and regulated by the U.S. Department of Housing and Urban Development (HUD) with respect to rental charges and operating methods.

During fiscal year 2016, Catholic Charities formed CC Housing, Inc. (CC Housing) to provide affordable housing, housing counseling, economic development, and opportunities for youth, families and the elderly.

The consolidated financial statements include the accounts of Catholic Charities, Hibernian House and CC Housing, collectively referred to as “Catholic Charities.” Intercompany accounts and transactions are eliminated in consolidation.

Catholic Charities operates the following social service programs:

Self-Sufficiency and Housing Assistance

- ◆ *Proyecto La Luz*: Rapid re-housing program that provides medium term rental assistance for 12-24 months.
- ◆ *Partners in Housing*: Permanent housing for chronically homeless persons with a disabling condition. The purpose of this supportive housing program is to enable this special-needs population to live as independently as possible in a permanent setting.
- ◆ *Homeless Prevention and Rapid Re-Housing*: Provides assistance to individuals and families meeting specific requirements.
- ◆ *Rental Assistance Program (RAP)*: The Emergency Solutions Grants (ESG) Rapid Re-housing and Homeless Prevention programs offer short-medium term rental assistance from 3-12 months.
- ◆ *City of Albuquerque Permanent Supportive Housing & One-Time Rental Assistance*: Permanent housing program for chronically homeless persons with a disabling condition. The purpose of this supportive housing program is to enable this special-needs population to live as independently as possible in a permanent setting. It also provides one-time rental assistance for individuals who can pay ongoing rent but may not have the down payment or arrears.

Catholic Charities
Notes to the Consolidated Financial Statements
June 30, 2024 and 2023

1) Organization and Nature of Activities – continued

Educational Opportunity

- ◆ *Adult Basic Education:* Classes include English as a second language, citizenship classes, adult basic education, Spanish and English high school equivalency classes, computer classes, and workplace literacy, including collaboration with Albuquerque Public Schools through Title I projects.

Children’s Learning Center

- ◆ *Children’s Learning Center:* The Children’s Learning Center is a five-star licensed and accredited bilingual preschool program providing pre-kindergarten and childcare services for children ages 6 weeks to 12 years. Pre-kindergarten and childcare programs are provided by trained and certified staff.

Immigration and Citizenship Legal Assistance

- ◆ *Immigration Services:* The services of this program focus on family unification and citizenship. Legal assistance is low bono, making services more accessible for those seeking an immigration benefit. Citizenship classes, case management information, and referrals to other community resources are all part of the program.

Refugee Resettlement and Support

- ◆ *Refugee Support:* The Center for Refugee Support provides youth mentoring, English practice, and general cultural orientation to refugee families who have fled persecution around the world and found a home in Albuquerque. Our programs connect volunteers with refugee families for support, friendship, and encouragement toward self-sufficiency.
- ◆ *Refugee Youth Program:* This after school and summer program for mid-school and high school refugee youth provides tutoring, English language classes, citizenship classes, and the support of caring staff and volunteers.

Community Involvement

- ◆ *Senior Transportation Services:* The program provides seniors with companionship and enables them to lead productive, independent lives by providing weekly transportation to medical appointments, government offices, banks, pharmacies, and grocery stores. Volunteer drivers are literally the “driving force” behind this program. All have clean driving records and provide transportation free of charge.
- ◆ *Parish and Faith Community Outreach:* Staff and volunteers work with Catholic and non-Catholic institutions to fortify their commitment to social justice by strengthening and developing reciprocal relationships through education, relationship building, and unique projects designed to enrich both Catholic Charities and the faith communities.

Catholic Charities
Notes to the Consolidated Financial Statements
June 30, 2024 and 2023

1) Organization and Nature of Activities – continued

Hibernian House

- ◆ *Hibernian House*: A 20-unit supportive housing development for low-income seniors in Albuquerque.

Affordable Housing

- ◆ *Generations at West Mesa*: Generations at West Mesa is an affordable housing development for grandparents raising grandchildren. Generations at West Mesa consist of a 54-unit mixed-income, senior rental development. Of the 54 units, 45 are restricted to households earning 30%, 50%, and 60% of area median income, along with 9 unrestricted market rate units. The units will be a mix of 1, 2, and 3-bedroom units that will serve the needs of seniors at a variety of income levels over the age of 62, with a particular emphasis on seniors over the age of 75 and grandparents raising grandchildren. Catholic Charities provides other supportive services onsite.
- ◆ *Sunray Lobo Canyon*: Sunray Lobo Canyon is an affordable housing rehabilitation of two adjacent properties with 128-units expected to serve households with children in Grants, New Mexico. This rehabilitation project was completed in March 2021.
- ◆ *Encantada*: Encantada is an affordable housing development in Los Lunas, New Mexico consisting of a 48-unit rental development. This affordable housing project was completed in 2023 and is in the process of being converted to permanent financing with the U.S. Department of Agriculture (USDA).

2) **Summary of Significant Accounting Policies**

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables and liabilities.

Basis of Presentation

The accompanying consolidated financial statements are presented in accordance with the accounting and reporting standards required by Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) ASC 958, *Not for Profit Entities*. FASB ASC 958 requires Catholic Charities to report information regarding its financial position and activities according to the following classes of net assets:

- ◆ *Net assets without donor restrictions* represent the portion of Catholic Charities' net assets that are not restricted by donor-imposed stipulations and are available for operations at management's discretion. All contributions made to Catholic Charities are considered to be received without donor restrictions unless specifically restricted by the donor.

Catholic Charities
Notes to the Consolidated Financial Statements
June 30, 2024 and 2023

2) Summary of Significant Accounting Policies – continued

- ◆ *Net assets with donor restrictions* represents resources restricted by donors as to purpose or by the passage of time and resources whose use by Catholic Charities is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of Catholic Charities. See Note 14 for more information on Catholic Charities' net assets with donor restrictions.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, Catholic Charities considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Catholic Charities maintains its cash depository accounts with various financial institutions. Balances in the accounts may, at times, exceed Federal or other insurance limits. Catholic Charities has not experienced, and believes it is not exposed to, significant credit risk from these deposits.

Accounts Receivable

Accounts receivable are recorded at net realizable value and are evaluated for collectability by using historical experience applied to an aging of the accounts. Generally, collateral is not required on receivables. Contractual terms determine when receivables become delinquent. Catholic Charities utilizes the allowance method to provide a valuation for estimated uncollectible accounts receivable.

Property and Equipment

All acquisitions of property and equipment and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets in excess of \$5,000 are capitalized. Property and equipment are carried at cost or, if donated, at the estimated fair value at the date of donation. Depreciation is computed using the straight-line method over useful lives ranging from three to thirty-nine years.

Impairment of Long-Lived Assets

Catholic Charities reviews its long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Catholic Charities
Notes to the Consolidated Financial Statements
June 30, 2024 and 2023

2) Summary of Significant Accounting Policies – continued

Revenue Recognition

Revenues from program fees are recognized when Catholic Charities' performance obligation is met. The performance obligation consists of providing services for the senior support, homeless, and immigration programs and these services are recorded at standard rates, less a sliding fee scale adjustment based on the clients' ability to pay.

Contribution revenue is recognized when cash, securities, other assets, or an unconditional promise to give is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions upon which they depend have been met. Contributions received are recorded as net assets with or without donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (i.e., when the time or purpose of the restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as “net assets released from restrictions.”

Catholic Charities reports gifts of land, buildings, and equipment as support without donor restrictions 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 assets are reported as support with donor restrictions.

Revenue from contracts and grants is recognized when funds are spent in accordance with contractual provisions. Contracts and grants receivable represent amounts due for expenditures incurred prior to year-end, but not yet reimbursed.

Donated Services and Materials

Significant contributions of services are recorded if the services create or enhance non-financial assets or require specialized skills. Recognized contributed services are recorded at the fair value of the services on the date of donation. Significant donations of materials are recorded at their fair value on the date of donation. For the years ended June 30, 2024 and 2023, Catholic Charities reported in-kind donated furniture, supplies, and materials of \$190,579 and \$197,897, respectively, that met the revenue recognition criteria above. Contributed furniture, supplies and materials are valued on the basis of estimates of wholesale values that would be received for selling similar products.

Promises to Give

Promises to give are valued and initially recorded based on the estimated future cash flows based on historical experience. Promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows.

Catholic Charities
Notes to the Consolidated Financial Statements
June 30, 2024 and 2023

2) Summary of Significant Accounting Policies – continued

The discount on those amounts is computed using risk-free interest rates for the assessed credit risk of the donation, applicable to the years in which the promises are received. Any subsequent adjustments to the valuation of promises to give are made through a provision for doubtful accounts.

Accrued Paid Time Off

Qualified employees are entitled to accumulate paid time off (PTO) according to a graduated leave schedule depending on length of service and the employee's hire date. The maximum amount of PTO hours that employees may carry over to subsequent years is equal to the amount of PTO hours that the employee will earn during the employment year. Upon termination, up to 50% of each employee's annual accrued balance or 50% of their accrued PTO hours at the time of termination, whichever is less, will be paid.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include depreciation and amortization, which are allocated on the basis of the actual usage of equipment and the square footage of buildings. All other expenses are allocated directly to functions at the time expenses are incurred through the use of cost centers.

Income Taxes

Catholic Charities, CC Housing, and Hibernian House are non-profit corporations that are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. As such, their normal activities do not result in any income tax liability. Catholic Charities, CC Housing, and Hibernian House are each classified as other than a private foundation and file separate entity tax returns.

Catholic Charities applies the provisions of FASB ASC 740, *Income Taxes*. FASB ASC 740 provides detailed guidance for the financial statement recognition, measurement, and disclosure of uncertain tax positions in an entity's financial statements. Uncertain income tax positions must meet a more-likely-than-not recognition threshold to be recognized. Catholic Charities' policy is to classify income tax penalties and interest according to their natural classification rather than as income tax expense.

As of June 30, 2024 and 2023, management does not believe Catholic Charities has any uncertain tax positions that would require financial statement recognition, measurement, or disclosure under FASB ASC 740. Due to statutes of limitation, Catholic Charities, Hibernian House, and CC Housing's tax returns are no longer subject to examinations by tax authorities for fiscal years before 2021.

Catholic Charities
Notes to the Consolidated Financial Statements
June 30, 2024 and 2023

2) Summary of Significant Accounting Policies – continued

Subsequent Events

Generally accepted accounting principles state that the financial statements should include the effects of all subsequent events that provide additional information about conditions in existence as of the balance sheet date. Catholic Charities has evaluated subsequent events for possible adjustment or disclosure through November 19, 2024, the date the consolidated financial statements were available to be issued. In August 2024, Catholic Charities was the recipient of a gift of \$2 million. Of this gift, \$1.2 million shall be used to purchase, improve, modify, furnish, and maintain a building to serve as a donation center. The remaining \$800,000 will be added to Catholic Charities' restricted fund (Tony's Gift) previously created by the donor to assist people with one-time housing assistance.

3) **Liquidity and Availability**

The following table reflects Catholic Charities' financial assets as of June 30, 2024 and 2023, reduced by amounts that are not available to meet general expenditures within one year of the consolidated statements of financial position date because of contractual or donor-imposed restrictions. Amounts not available to meet general expenditures within one year include notes receivable expected to be collected more than one year after the consolidated statement of financial position date.

	<u>2024</u>	<u>2023</u>
Financial assets, at year-end		
Cash and cash equivalents	\$ 985,010	\$ 434,541
Accounts receivable, net	137,216	141,405
Contracts and grants receivable, net	610,871	547,582
Unconditional promises to give, net	31,610	18,358
Notes receivable	<u>6,000,814</u>	<u>6,102,103</u>
Total financial assets, at year-end	7,765,521	7,243,989
Less amounts unavailable for general expenditures within one year, due to receivables expected to be collected after one year	<u>(5,897,610)</u>	<u>(6,003,432)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,867,911</u>	<u>\$ 1,240,557</u>

Catholic Charities manages its cash flow and liquidity on an on-going basis to ensure that sufficient funds are available to meet operational needs as well as impact grant obligations. To help manage unanticipated liquidity needs, Catholic Charities has access to a \$750,000 line of credit with a local bank. More information on the line of credit is available in Note 13.

Catholic Charities
Notes to the Consolidated Financial Statements
June 30, 2024 and 2023

4) Replacement Reserves

Under the Regulatory Agreement with the U.S. Department of Housing and Urban Development (HUD), the Hibernian House is required to set aside amounts for the replacement of property and other project expenditures approved by HUD. HUD restricted reserves of \$58,340 and \$57,029 at June 30, 2024 and 2023, respectively, are held in separate accounts and generally are not available for operating purposes. Use of the replacement reserve account is contingent upon HUD's prior written approval. For the years ended June 30, 2024 and 2023, there were HUD-approved withdrawals totaling \$14,939 and \$39,530, respectively.

5) Agency Trust Deposits

Catholic Charities utilizes the 501(c) Agencies Trust Unemployment program to help pay state unemployment claims. Under the program, Catholic Charities established a trust that is based on Catholic Charities' unemployment claims experience and gross annual payroll. The Agencies Trust Unemployment program then reimburses the state from the trust for the claim benefits paid to former employees. The amount on deposit to pay for future unemployment claims as of June 30, 2024 and 2023 is \$37,304.

6) Restricted Cash and Cash Equivalents

At June 30, 2024 and 2023, Catholic Charities reported restricted cash totaling \$176,621 and \$286,877, respectively. This cash represents unspent forwardly funded grants and contributions and funds expected to be passed through to other entities in subsequent periods.

7) Notes Receivable

Notes receivable consist of the following as of June 30:

	<u>2024</u>	<u>2023</u>
Generations at West Mesa	\$ 2,805,000	\$ 2,805,000
Sunray Lobo Canyon	400,000	400,000
Real Estate Contract (REC)	<u>2,795,814</u>	<u>2,897,103</u>
Total notes receivable	6,000,814	6,102,103
Current portion	<u>(103,204)</u>	<u>(98,671)</u>
Total notes receivable, net of current portion	<u>\$ 5,897,610</u>	<u>\$ 6,003,432</u>

Catholic Charities
Notes to the Consolidated Financial Statements
June 30, 2024 and 2023

7) Notes Receivable – continued

Generations at West Mesa

During fiscal year 2016, the City of Albuquerque (the “City”) and Catholic Charities entered into a development agreement for the Generation at West Mesa affordable housing development. During fiscal year 2020, the City and Catholic Charities entered into a supplemental agreement whereby the City entered into a mortgage and security agreement with Catholic Charities at a total amount of \$2,405,000, representing Workforce Housing Trust Funds (WHTF) of \$2 million and land valued at \$405,000. An additional \$400,000 in WHTF were provided by the City in fiscal year 2020 in accordance with the third supplemental agreement.

During fiscal year 2020, the WHTF and the land totaling \$2,405,000 were passed through to the contracted developer for the Generations at West Mesa project. The additional \$400,000 in WHTF received by Catholic Charities were passed through to the contracted developer during fiscal year 2021. The developer recorded a subordinate loan to Catholic Charities representing the value of these funds received by the developer, which is reported as a note receivable by Catholic Charities.

This note receivable will become due and payable upon either (1) dissolution or liquidation of the developer, or (2) default in any warranty, obligation, or other term, condition of the development agreement. See additional information regarding the mortgage loan with the City at Note 11.

Sunray Lobo Canyon

During fiscal year 2020, CC Housing entered into an agreement with a developer for the Sunray Lobo Canyon affordable housing development. As part of this project, New Mexico Mortgage Finance Authority (NM MFA) approved an award of National Housing Trust Fund (NHTF) monies, which is received from HUD through its NHTF program, of \$400,000 to CC Housing to be used for the rehabilitation of two adjacent USDA rural development projects. These funds were passed through to the contracted developer of this rehabilitation project after issuance of a promissory note.

The loan principal balance and all accrued and unpaid interest shall be forgiven at the maturity date, which is defined as the date of the final NHTF program completion report, provided that no event of default by the developer has occurred. See additional information regarding the NHTF loan with NM MFA at Note 11.

Real Estate Contract

In August 2019, the Felician Sisters of North America, Inc. (the “Felician Sisters”) donated land and buildings located in Rio Rancho, New Mexico, to CC Housing subject to a restricted use agreement. Under the restricted use agreement, if any portion of the property were sold by CC Housing, a portion of the net proceeds from the sale would be owed to the Felician Sisters.

Catholic Charities
Notes to the Consolidated Financial Statements
June 30, 2024 and 2023

7) Notes Receivable – continued

In June 2022, CC Housing entered into a real estate contract (REC) with an external party to purchase the building from this donated property for a total of \$3,750,000. Of this amount, \$750,000 was due at signing of the REC and the remaining \$3 million is due in monthly installments of \$18,979, including interest at 4.5%, through August 2042. CC Housing has retained the donated land. Future payments to be received under the REC as of June 30, 2024, are as follows:

	Principal	Interest	Total
2025	\$ 103,204	\$ 124,550	\$ 227,754
2026	107,945	119,809	227,754
2027	112,904	114,850	227,754
2028	118,091	109,663	227,754
2029	123,516	104,238	227,754
2030-2034	708,091	430,678	1,138,769
2035-2039	886,385	252,384	1,138,769
2040-2043	635,678	47,684	683,362
	\$ 2,795,814	\$ 1,303,856	\$ 4,099,670

Under the amended restricted use agreement with the Felician Sisters, CC Housing agreed to distribute 40% of the net proceeds from the sale to the Felician Sisters and use an additional 10% to support future supportive services related to the affordable housing project planned for the property (see Note 14 for restricted net assets). The remaining 50% could be used at CC Housing’s discretion, which was distributed to Catholic Charities. Any amounts due to/from CC Housing and Catholic Charities has been eliminated in the consolidated financial statements. See Note 11 for more information on the amounts payable to the Felician Sisters for their distribution of the net proceeds from the sale of this building.

8) **Prepaid Rent**

In June 2014, Catholic Charities entered into a lease for space in Santa Fe with the Archdiocese of Santa Fe. The lease is for a fifty-year period expiring in June 2064. Catholic Charities prepaid the full amount of the rent of \$75,000 and is amortizing the prepaid rent over the life of the lease. At June 30, 2024 and 2023, the remaining prepaid rent under this lease totals \$59,875 and \$61,375, respectively, which is reported as a portion of prepaid expenses in the consolidated statements of financial position.

Catholic Charities
Notes to the Consolidated Financial Statements
June 30, 2024 and 2023

9) Property and Equipment, Net

Property and equipment, net, consist of the following as of June 30:

	<u>2024</u>	<u>2023</u>
Depreciable		
Buildings	\$ 7,077,429	\$ 7,050,255
Furniture, fixtures, and equipment	697,843	696,145
Leasehold improvements	383,129	364,721
Vehicles	198,252	190,452
Less: Accumulated depreciation and amortization	<u>(2,572,145)</u>	<u>(2,292,979)</u>
Total depreciable property and equipment, net	5,784,508	6,008,594
Land	1,855,825	1,855,825
Artwork	<u>103,327</u>	<u>103,327</u>
Property and equipment, net	<u>\$ 7,743,660</u>	<u>\$ 7,967,746</u>

10) Deferred Revenue

Deferred revenue consists of grants received by Catholic Charities prior to the incurrence of qualifying expenses on the grants. At June 30, 2024 and 2023, deferred revenue amounted to \$56,477 and \$129,115, respectively. Generally, these balances are caused by differences in the timing of cash received from grants and expenses incurred under grants and will be reversed in the remaining grant period.

11) Long-Term Debt

Long-term debt consists of the following as of June 30:

	<u>2024</u>	<u>2023</u>
Industrial revenue bonds	\$ 1,952,464	\$ 2,036,422
Note payable to the City of Albuquerque	2,805,000	2,805,000
Note payable to New Mexico Mortgage Finance Authority	400,000	400,000
Note payable to the Felician Sisters	1,118,325	1,171,778
Less: Unamortized debt issuance costs	<u>(47,916)</u>	<u>(50,582)</u>
Total long-term debt, net of debt issuance costs	6,227,873	6,362,618
Current portion	<u>(123,992)</u>	<u>(124,886)</u>
Total long-term debt, net of current portion and debt issuance costs	<u>\$ 6,103,881</u>	<u>\$ 6,237,732</u>

Catholic Charities
Notes to the Consolidated Financial Statements
June 30, 2024 and 2023

11) Long-Term Debt – continued

Industrial Revenue Bonds

On January 26, 2016, Bernalillo County, New Mexico, issued its Industrial Revenue Bonds, Series 2016 totaling \$3,000,000. A bank purchased the bond and issued a loan in the amount of \$2,500,000 for a capital project for which Catholic Charities is the obligor. The loan was issued under a capital lease agreement structure, payable to the bank as trustee. Principal and interest is due in monthly installments at an initial interest rate of 3.47%, maturing March 2041, net of unamortized issuance costs of \$47,916 and \$50,582 at June 30, 2024 and 2023, respectively. Unamortized issuance costs are amortized to interest expense over the life of the loan. The effective interest rate does not differ significantly from the stated interest rate. The note is secured by the Casa de Corazon building. The bond indenture places limits on the incurrence of additional borrowings and also requires that Catholic Charities satisfy certain measures of financial performance. As of June 30, 2024 and 2023, Catholic Charities was in compliance with all required covenants.

Note Payable to the City of Albuquerque

During fiscal years 2019 and 2020, the City and Catholic Charities entered into supplemental agreements to their development agreement related to the Generations at West Mesa affordable housing development. Under these supplemental agreements, the City entered into a mortgage and security agreement with Catholic Charities at a total amount of \$2,805,000, representing Workforce Housing Trust Funds of \$2.4 million and land valued at \$405,000. The mortgage note becomes due and payable upon either (1) dissolution or liquidation of Catholic Charities, or (2) default in any warranty, obligation, or other term, condition of the development agreement. Therefore, there are no established payment terms on this mortgage note.

Note Payable to the New Mexico Mortgage Finance Authority

During fiscal year 2021, CC Housing issued a loan with NM MFA under the National Housing Trust Fund program, a program administered by HUD, totaling \$400,000 for the purpose of rehabilitating two adjacent USDA rural development projects. These funds were subsequently passed through to the developer of this rehabilitation project. Should the project remain in compliance with the NHTF loan agreement for a period of 35 years after completion of the final NHTF program compliance report, the loan will be forgiven. Therefore, there are no established payment terms on this note.

Note Payable to the Felician Sisters

During fiscal year 2022, CC Housing sold a building that was subject to a restricted use agreement with the Felician Sisters, as more fully described in Note 7. Under the amended restricted use agreement, 40% of the net proceeds of the sale were to be distributed to the Felician Sisters. The net proceeds from the sale will be paid to the Felician Sisters over the term of the related REC, which is being paid over 20 years at an interest rate of 4.5%. The total principal amount payable to the Felician Sisters at June 30, 2024 and 2023 totaled \$1,118,325 and \$1,171,778, respectively.

Catholic Charities
Notes to the Consolidated Financial Statements
June 30, 2024 and 2023

11) Long-Term Debt – continued

Future principal payments on long-term debt, not including the notes payable to the City and NM MFA, as of June 30, 2024, are as follows:

	Principal	Interest	Total
2025	\$ 123,992	\$ 116,815	\$ 240,807
2026	128,804	112,003	240,807
2027	133,806	107,000	240,806
2028	139,006	101,800	240,806
2029	144,412	96,394	240,806
2030-2034	810,933	393,098	1,204,031
2035-2039	982,072	221,960	1,204,032
2040-2043	607,764	36,411	644,175
	\$ 3,070,789	\$ 1,185,481	\$ 4,256,270

12) Capital Advance

Hibernian House received a capital advance totaling \$1,183,300 from the U.S. Department of Housing and Urban Development in fiscal year 2003 for the construction of a building for housing to low-income elderly persons. The advance bears no interest and need not be repaid so long as Hibernian House continues to make the housing available for the elderly for at least 40 years from the date of the capital advance (fiscal year 2043). The advance is classified in the consolidated statements of financial position as a noncurrent liability. The advance program requires Hibernian House to escrow an amount equal to 0.5% of the capital advance, which is reported in the consolidated statements of financial position as a noncurrent asset.

13) Line of Credit

Catholic Charities has a \$750,000 line of credit agreement with a local financial institution that expires on March 31, 2025. The line carries interest at the greater of the bank's index rate plus 0.5% (9% at June 30, 2024) and the floor rate of 5%, and is secured by deposit accounts, inventory, accounts receivable, and equipment. At June 30, 2024 and 2023, Catholic Charities had \$0 in outstanding borrowings on the line.

Catholic Charities
Notes to the Consolidated Financial Statements
June 30, 2024 and 2023

14) Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following at June 30:

	2024	2023
Restricted for time:		
Pledges receivable	\$ 31,610	\$ 18,358
Restricted for purpose:		
Asylee seeker assistance	104,321	104,321
COVID-19 pandemic relief	25,881	25,881
Affordable housing	41,991	41,991
Wildfire relief	-	9,401
Total net assets with donor restrictions	\$ 203,803	\$ 199,952

Net assets with donor restrictions are released from donor restrictions as expenses are incurred to satisfy the restricted purpose, or due to the passage of time, as follows:

	2024	2023
Time restriction accomplished:		
Pledges receivable	\$ 3,498	\$ 10,583
Purpose restriction accomplished:		
Asylee seeker assistance	-	261
COVID-19 pandemic relief	-	4
Wildfire relief	9,401	52,376
Total net assets released from restrictions	\$ 12,899	\$ 63,224

15) Commitments and Contingencies

The grants and contracts administered by Catholic Charities are subject to a closing audit process by federal granting agencies subsequent to the end of a grant period. At this time, no reasonable estimate can be made as to adjustments, if any, in amounts due to or from grantors that may result from the closing process. Actual costs reported in the accompanying consolidated statements of activities, and for prior years since inception of ongoing grants, exceeded billed costs, and management believes no material reimbursements to granting agencies are due.

Catholic Charities receives a significant amount of its funding from federal grants from various agencies. Should Catholic Charities lose program funding, management believes that Catholic Charities would be able to receive similar program funding from other sources.

Catholic Charities
Notes to the Consolidated Financial Statements
June 30, 2024 and 2023

16) Pension Plan

Catholic Charities administers a participant directed non-contributory, defined contribution pension plan (401k plan) for its qualified employees. Catholic Charities contributed 5% of covered compensation to the plan through December 31, 2022. Effective January 1, 2023, matching contributions equal 3% of the employee's compensation. Effective January 1, 2024, matching contributions still equal 3% of the employee's compensation, but increase 0.5% up to a total of 5% if the employee contributes more than 3%. Employees qualify upon attaining the age of 21. Benefits vest 100% after three plan years of employment. Pension plan expense totaled \$34,554 and \$63,703 for the years ended June 30, 2024 and 2023, respectively.

17) Related Party Transactions

The Board of Directors of Catholic Charities manages its overall affairs through the direction of the Archbishop of the Archdiocese of Santa Fe. The Archdiocese of Santa Fe provides annual funding (stipends), which are received monthly. The funding year runs from July 1 through June 30 of each year. The allocation for the years ended June 30, 2024 and 2023, was \$160,417 and \$204,627, respectively. Additionally, the Archdiocese of Santa Fe contributed additional monies to Catholic Charities as part of its second collections efforts, which totaled \$84,901 and \$59,475 during fiscal years 2024 and 2023, respectively. The Archdiocese of Santa Fe also contributed \$55,000 to Catholic Charities in fiscal year 2023 for wildfire relief in New Mexico. These second collections and wildfire relief contributions are reported as a portion of monetary contributions in the consolidated statements of activities.

During 2014, Catholic Charities entered into a \$75,000 lease with the Archdiocese of Santa Fe for use of space in Santa Fe, New Mexico. See Note 8 for additional information on this lease.

The Board of Directors and certain employees contribute various amounts in general support of Catholic Charities. A certain board member is also an officer of a bank with which Catholic Charities maintains its cash balances. Outstanding promises to give from Board members at June 30, 2024 and 2023, are \$12,350 and \$10,728, respectively.

18) Management Fee

Hibernian House pays Monarch Properties, Inc. a management fee equal to 9.77% of residential income collected by Monarch Properties, Inc. Management fees amounted to \$10,420 and \$8,999 for the years ended June 30, 2024 and 2023, respectively, and are reported as a portion of contract services in the consolidated statements of functional expenses.

Catholic Charities
Notes to the Consolidated Financial Statements
June 30, 2024 and 2023

19) Community Foundation Endowment Funds

Catholic Charities is the beneficiary of endowment funds held by the Albuquerque Community Foundation (ACF), known individually as the Wilhelmina Neat Coe/Peace Foundation Fund, Ann C. Lucero and David J. Lucero Endowment Fund, and the Catholic Charities Human Services Fund. ACF makes annual distributions of the investment income earned from these endowment funds to Catholic Charities which are restricted for home care programs for the disabled and elderly. The balance of these endowment funds held by ACF for the benefit of Catholic Charities totaled \$772,833 and \$794,165 as of June 30, 2024 and 2023, respectively.

Catholic Charities is also the beneficiary of an endowment fund known as the Olympia Garcia de Duran/Catholic Social Services Fund held by the Santa Fe Community Foundation (SFCF). The balance of the endowment fund held by SFCF for the benefit of Catholic Charities programs in Santa Fe totaled \$223,299 and \$218,163 as of June 30, 2024 and 2023, respectively.

Catholic Charities is also the beneficiary of endowment funds held by the Catholic Foundation of the Archdiocese of Santa Fe, known individually as the Catholic Charities Fund and the Hibernian House Priest Home Fund. The balance of the endowment funds held by the Catholic Foundation totaled \$106,029 and \$95,907 as of June 30, 2024 and 2023, respectively.

None of the above endowment funds are reflected as assets on the consolidated financial statements of Catholic Charities given the “variance power” granted to each respective foundation. This variance power allows each foundation to modify the donor’s stipulations under certain circumstances.

Supplementary Information

Catholic Charities
Consolidating Statement of Financial Position
June 30, 2024

	Catholic Charities	Hibernian House	CC Housing, Inc.	Eliminations	Totals
Assets					
Current assets					
Cash and cash equivalents	\$ 835,656	\$ 20,197	\$ 129,157	\$ -	\$ 985,010
Accounts receivable, net	421,682	2,393	132,993	(419,852)	137,216
Contracts and grants receivable, net	610,871	-	-	-	610,871
Unconditional promises to give, net	31,610	-	-	-	31,610
Prepaid expenses, current portion	16,316	-	-	-	16,316
Notes receivable, current portion	51,602	-	103,204	(51,602)	103,204
Total current assets	<u>1,967,737</u>	<u>22,590</u>	<u>365,354</u>	<u>(471,454)</u>	<u>1,884,227</u>
Noncurrent assets					
Replacement reserves	-	58,340	-	-	58,340
Agency trust deposits	37,304	-	-	-	37,304
Restricted cash and cash equivalents	20,651	-	155,970	-	176,621
Security deposits	4,931	4,918	-	-	9,849
Prepaid expenses, net of current portion	56,631	-	-	-	56,631
Notes receivable, net of current portion	4,151,305	-	3,092,610	(1,346,305)	5,897,610
Property and equipment, net	5,709,705	818,955	1,215,000	-	7,743,660
Total noncurrent assets	<u>9,980,527</u>	<u>882,213</u>	<u>4,463,580</u>	<u>(1,346,305)</u>	<u>13,980,015</u>
Total assets	<u>\$ 11,948,264</u>	<u>\$ 904,803</u>	<u>\$ 4,828,934</u>	<u>\$ (1,817,759)</u>	<u>\$ 15,864,242</u>
Liabilities and Net Assets					
Current liabilities					
Accounts payable	\$ 142,682	\$ 2,747	\$ 419,852	\$ (419,852)	\$ 145,429
Payroll and related liabilities	122,656	1,200	-	-	123,856
Accrued paid time off	112,350	-	-	-	112,350
Deferred revenue	55,040	1,437	-	-	56,477
Long-term debt, current portion	82,710	-	92,884	(51,602)	123,992
Total current liabilities	<u>515,438</u>	<u>5,384</u>	<u>512,736</u>	<u>(471,454)</u>	<u>562,104</u>
Noncurrent liabilities					
Security deposits	-	4,446	-	-	4,446
Capital advance from HUD	-	1,183,300	-	-	1,183,300
Long-term debt, net of current portion and unamortized debt issuance costs	4,626,838	-	2,823,348	(1,346,305)	6,103,881
Total noncurrent liabilities	<u>4,626,838</u>	<u>1,187,746</u>	<u>2,823,348</u>	<u>(1,346,305)</u>	<u>7,291,627</u>
Total liabilities	<u>5,142,276</u>	<u>1,193,130</u>	<u>3,336,084</u>	<u>(1,817,759)</u>	<u>7,853,731</u>
Net assets (deficit)					
Without donor restrictions	6,644,176	(288,327)	1,450,859	-	7,806,708
With donor restrictions	161,812	-	41,991	-	203,803
Total net assets (deficit)	<u>6,805,988</u>	<u>(288,327)</u>	<u>1,492,850</u>	<u>-</u>	<u>8,010,511</u>
Total liabilities and net assets	<u>\$ 11,948,264</u>	<u>\$ 904,803</u>	<u>\$ 4,828,934</u>	<u>\$ (1,817,759)</u>	<u>\$ 15,864,242</u>

Catholic Charities
Consolidating Statement of Activities – Without Donor Restrictions
For the Year Ended June 30, 2024

	Catholic Charities	Hibernian House	CC Housing, Inc.	Eliminations	Totals
Support and Revenue					
Contracts and grants					
Federal	\$ 1,767,509	\$ 44,071	\$ -	\$ -	\$ 1,811,580
Non-federal	<u>2,566,516</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,566,516</u>
Total contracts and grants	<u>4,334,025</u>	<u>44,071</u>	<u>-</u>	<u>-</u>	<u>4,378,096</u>
Contributions					
Monetary	1,351,352	-	47,073	-	1,398,425
Archdiocese of Santa Fe	160,417	-	-	-	160,417
In-kind	190,579	-	-	-	190,579
United Way	<u>34,701</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,701</u>
Total contributions	<u>1,737,049</u>	<u>-</u>	<u>47,073</u>	<u>-</u>	<u>1,784,122</u>
Other support and revenue					
Program fees	575,219	-	154,104	(158,537)	570,786
Special events	244,837	-	-	-	244,837
Rental income	-	60,125	-	-	60,125
Other income	49,181	-	185,047	-	234,228
Investment income	<u>58,908</u>	<u>1,239</u>	<u>126,491</u>	<u>(27,697)</u>	<u>158,941</u>
Total other support and revenue	<u>928,145</u>	<u>61,364</u>	<u>465,642</u>	<u>(186,234)</u>	<u>1,268,917</u>
Net assets released from restrictions	<u>12,899</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,899</u>
Total support and revenue without donor restrictions	<u>7,012,118</u>	<u>105,435</u>	<u>512,715</u>	<u>(186,234)</u>	<u>7,444,034</u>
Expenses					
Program services					
Self-sufficiency and housing assistance	2,338,888	-	-	-	2,338,888
Educational opportunity	818,457	-	-	-	818,457
Children's learning center	1,247,056	-	-	-	1,247,056
Immigration and citizenship assistance	485,342	-	-	-	485,342
Refugee resettlement and support	183,144	-	-	-	183,144
Community involvement	400,626	-	-	-	400,626
Hibernian House	-	113,599	-	10,420	124,019
Affordable housing	<u>139,843</u>	<u>-</u>	<u>199,931</u>	<u>(27,697)</u>	<u>312,077</u>
Total program services	<u>5,613,356</u>	<u>113,599</u>	<u>199,931</u>	<u>(17,277)</u>	<u>5,909,609</u>
Supporting services					
Management and general	892,474	10,420	158,537	(168,957)	892,474
Fundraising	<u>344,498</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>344,498</u>
Total supporting services	<u>1,236,972</u>	<u>10,420</u>	<u>158,537</u>	<u>(168,957)</u>	<u>1,236,972</u>
Total expenses	<u>6,850,328</u>	<u>124,019</u>	<u>358,468</u>	<u>(186,234)</u>	<u>7,146,581</u>
Change in net assets without donor restrictions	<u>\$ 161,790</u>	<u>\$ (18,584)</u>	<u>\$ 154,247</u>	<u>\$ -</u>	<u>\$ 297,453</u>

Catholic Charities
Consolidating Statement of Activities– With Donor Restrictions
For the Year Ended June 30, 2024

	<u>Catholic Charities</u>	<u>Hibernian House</u>	<u>CC Housing, Inc.</u>	<u>Eliminations</u>	<u>Totals</u>
Support and Revenue					
Contributions					
Monetary	\$ 16,750	\$ -	\$ -	\$ -	\$ 16,750
Total contributions	16,750	-	-	-	16,750
Net assets released from restrictions	(12,899)	-	-	-	(12,899)
Change in net assets with donor restrictions	<u>\$ 3,851</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,851</u>

Single Audit Information

Catholic Charities
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

Federal Grantor / Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass-through Grantor or Other Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
<i>Passed through the State of New Mexico, Early Childhood Education and Care Department</i>			
Child and Adult Care Food Program (CACFP)	10.558	0462	\$ 64,029
Total U.S. Department of Agriculture			<u>64,029</u>
U.S. Department of Housing and Urban Development			
<i>Direct Awards</i>			
Supportive Housing for the Elderly (Section 202)	14.157	NM16S001005	44,071
Capital Advance	14.157	--	1,183,300
			<u>1,227,371</u>
Continuum of Care Program	14.267	--	<u>865,535</u>
<i>Passed through the State of New Mexico, New Mexico Mortgage Finance Authority</i>			
Home Investment Partnerships Program	14.239	23-02-CCH-RAP-001	157,624
COVID-19 - Home Investment Partnerships Program	14.239	22-01-CCH-ARP-001	195,299
			<u>352,923</u>
Continuum of Care Program	14.267	22-02-CCH-COC-001	<u>30,789</u>
<i>Passed through the City of Albuquerque, Department of Family and Community Services</i>			
Continuum of Care Program	14.267	202201401	<u>190,533</u>
Total U.S. Department of Housing and Urban Development			<u>2,667,151</u>
U.S. Department of Education			
<i>Passed through the State of New Mexico, Higher Education Department</i>			
Adult Education - Basic Grants to States (English Language)	84.002	V002A220032	15,753
Adult Education - Basic Grants to States (ABE)	84.002	V002A220032	247,947
Total U.S. Department of Education			<u>263,700</u>
Total expenditures of federal awards			<u>\$ 2,994,880</u>

The accompanying notes are an integral part of this schedule.

Catholic Charities
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Catholic Charities and its subsidiaries Hibernian House and CC Housing, Inc. (collectively “Catholic Charities”) under programs of the federal government for the year ended June 30, 2024. Because the Schedule presents only a selected portion of the operations of Catholic Charities, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Catholic Charities.

2) 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

3) Indirect Cost Rate

Catholic Charities has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

4) Loan Information

Hibernian House received a capital advance from the U.S. Department of Housing and Urban Development (HUD) for the construction of a building for housing to low-income elderly persons. Hibernian House is not required to repay the principal or pay interest and the capital advance is forgiven at maturity, as long as the owner provides housing for the designated class of people in accordance with applicable HUD requirements. In accordance with the Uniform Guidance, the full outstanding balance on the capital advance is considered to be federal awards expended and is reported on the Schedule under Assistance Listing Number 14.157.

Catholic Charities
Notes to the Schedule of Expenditures of Federal Awards – continued
For the Year Ended June 30, 2024

5) Reconciliation of the Schedule to the Consolidated Financial Statements

The following is a reconciliation of the expenditures reported in the Schedule to federal revenues reported in the consolidated financial statements:

Total federal revenues reported in the consolidated statements of activities	\$ 1,811,580
Outstanding capital advance reported as federal awards expended in the Schedule	<u>1,183,300</u>
Total expenditures of federal awards	<u>\$ 2,994,880</u>



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*

Board of Directors
Catholic Charities

We have audited, 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, the consolidated financial statements of Catholic Charities (a nonprofit organization), 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 financial statements, and have issued our report thereon dated November 19, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Catholic Charities' 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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of Catholic Charities' internal control. Accordingly, we do not express an opinion on the effectiveness of Catholic Charities' 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 financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Catholic Charities' 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.

SJT Group LLC

Albuquerque, New Mexico
November 19, 2024



Independent Auditor's Report on Compliance for the Major Program and On Internal Control Over Compliance Required by the Uniform Guidance

Board of Directors
Catholic Charities

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Catholic Charities' 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 Catholic Charities' major federal program for the year ended June 30, 2024. Catholic Charities' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Catholic Charities complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2024.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 Charities 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 the major federal program. Our audit does not provide a legal determination of Catholic Charities compliance with the compliance requirements referred to above.

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 Charities' federal programs.

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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 Charities 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 generally accepted auditing standards, *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 Charities' compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 Charities 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 Charities 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 Catholic Charities 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.

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 a 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.

SJT Group LLC

Albuquerque, New Mexico
November 19, 2024

Catholic Charities
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024

Section I — Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Type of auditor’s report issued on compliance for the major program:	Unmodified
Internal control over the major program:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	No

Identification of the major program:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
14.157	Supportive Housing for the Elderly (Section 202)

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	Yes
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Catholic Charities
Schedule of Findings and Questioned Costs — continued
For the Year Ended June 30, 2024

Section II — Financial Statement Findings

None.

Section III — Federal Award Findings and Questioned Costs

None.

Catholic Charities
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2024

Financial Statement Findings

None.

Federal Award Findings

2023-001 – Special Tests and Provisions – Rent Reasonableness

Condition: Catholic Charities entered into a lease agreement for one tenant for the lease of an apartment at a monthly rate that was within HUD FMR. However, the monthly rent charged to Catholic Charities by the landlord exceeded the monthly rent amount stated in the lease agreement. Additionally, we noted that rent reasonableness was not performed for two other tenants, although the monthly rents paid for these tenants did not exceed HUD FMR.

Current Status: Resolved, corrective action was implemented in fiscal year 2024.

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