



Financial Statements
June 30, 2022

Catholic Charities of Northern Nevada

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Independent Auditor's Report

To the Board of Trustees
Catholic Charities of Northern Nevada
Reno, Nevada

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Catholic Charities of Northern Nevada, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Catholic Charities of Northern Nevada as of June 30, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

As more fully described in Note 1 to the financial statements, Catholic Charities of Northern Nevada records revenue for donated inventory when the inventory is sold in the thrift store and when contributions are received for contributed food relating to Emergency Food Assistance Program rather than recording contribution revenue when donated inventory is received. In our opinion, accounting principles generally accepted in the United States of America require Catholic Charities of Northern Nevada to record contributions of donated inventory at fair value on the date of receipt and reflect sales revenue, costs of goods sold, and a reduction of donated inventory upon the sale of the donated inventory. The effect of this departure on the financial statements has not been determined.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities of the Audit of the Financial Statements section of our report. We are required to be independent of Catholic Charities of Northern Nevada and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 Northern Nevada's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities of the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Northern Nevada'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Catholic Charities of Northern Nevada'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 financial statements as a whole. The accompanying 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 is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the 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 February 8, 2023 on our consideration Catholic Charities of Northern Nevada’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 Northern Nevada’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 Northern Nevada’s internal control over financial reporting and compliance.



Reno, Nevada
February 8, 2023

Catholic Charities of Northern Nevada
Statement of Financial Position
June 30, 2022

Assets	
Current assets	
Cash and cash equivalents	\$ 4,134,396
Investments	4,047,953
Grants and contracts receivable	316,533
Inventory	22,646
Prepaid expenses	<u>121,811</u>
Total current assets	<u>8,643,339</u>
Deposits	4,946
Property, plant, and equipment, net	7,682,945
Beneficial interest in assets held by Catholic Community Foundation	<u>5,169,880</u>
Total assets	<u><u>\$ 21,501,110</u></u>
Liabilities and Net Assets	
Liabilities	
Current liabilities	
Accounts payable	\$ 178,455
Accrued expenses	273,726
Notes payable - current portion	59,758
Deposits	<u>1,700</u>
Total current liabilities	513,639
Notes payable, less current portion	1,445,819
Forgivable loan	<u>1,574,938</u>
Total liabilities	<u>3,534,396</u>
Net Assets	
Without donor restrictions	
Board designated	25,000
Undesignated	<u>11,062,022</u>
	11,087,022
With donor restrictions	
Perpetual in nature	4,637,795
Purpose restrictions	<u>2,241,897</u>
	6,879,692
Total net assets	<u>17,966,714</u>
Total Liabilities and Net Assets	<u><u>\$ 21,501,110</u></u>

See Notes to Financial Statements

Catholic Charities of Northern Nevada

Statement of Activities

Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Government fees, grants, and reimbursements	\$ 11,046	\$ 2,000,705	\$ 2,011,751
Contributions from foundations	263,160	242,139	505,299
Contributions from corporations	144,776	54,400	199,176
Contributions from the general public	1,276,828	404,052	1,680,880
Contribution of nonfinancial assets	3,137,901	-	3,137,901
Bequests	1,358,481	1,354,839	2,713,320
Special events, net expenses of \$37,788	175,219	-	175,219
Support from USDA (food commodities)	1,351,362	-	1,351,362
Program service fees	56,488	-	56,488
Thrift Store sale of merchandise, net	5,332,594	-	5,332,594
Investment income, net	1,629	(694,902)	(693,273)
Rental income	536,143	-	536,143
Miscellaneous income	3,648	-	3,648
Gain on sale of asset	1,700	-	1,700
Net assets released from restrictions	2,748,483	(2,748,483)	-
	<u>16,399,458</u>	<u>612,750</u>	<u>17,012,208</u>
Total public support, revenues, and net assets released			
Expenses			
Program services			
Dining room	753,711	-	753,711
Thrift stores	3,414,573	-	3,414,573
Food commodities	5,835,119	-	5,835,119
Emergency assistance and immigration	1,978,723	-	1,978,723
Crossroads and Kids to Seniors Korner	673,726	-	673,726
Housing and residence	81,307	-	81,307
	<u>12,737,159</u>	<u>-</u>	<u>12,737,159</u>
Total program services			
Supporting services			
General and administrative	1,755,839	-	1,755,839
	<u>14,492,998</u>	<u>-</u>	<u>14,492,998</u>
Total expenses			
Change in Net Assets	1,906,460	612,750	2,519,210
Net Assets, Beginning of Year	9,180,562	6,266,942	15,447,504
Net Assets, End of Year	<u>\$ 11,087,022</u>	<u>\$ 6,879,692</u>	<u>\$ 17,966,714</u>

Catholic Charities of Northern Nevada
Statement of Functional Expenses
Year Ended June 30, 2022

	Program Services						Total	Administrative and General	Total
	Dining Room	Thrift Stores	Food Commodities	Emergency Assistance & Immigration	Battle Born	Housing & Residence			
Salaries and Expenses									
Salaries	\$ 328,907	\$ 2,080,754	\$ 460,733	\$ 922,949	\$ 320,803	\$ -	\$ 4,114,146	\$ 1,185,945	\$ 5,300,091
Payroll taxes	28,481	211,906	42,116	75,306	29,683	-	387,492	90,977	478,469
Employee benefits	45,229	307,375	57,770	136,112	44,314	-	590,800	162,390	753,190
Total salaries and expenses	<u>402,617</u>	<u>2,600,035</u>	<u>560,619</u>	<u>1,134,367</u>	<u>394,800</u>	<u>-</u>	<u>5,092,438</u>	<u>1,439,312</u>	<u>6,531,750</u>
Other Expenses									
Thrift store costs of goods sold	-	29,478	-	-	-	-	29,478	-	29,478
Client assistance	50,184	2,996	4,964,235	657,707	30,522	48	5,705,692	2,760	5,708,452
Conventions	-	-	9,631	8,417	1,672	-	19,720	32,648	52,368
Occupancy	53,116	347,742	42,756	30,580	95,192	43,615	613,001	23,829	636,830
Postage	20	182	776	3,770	77	20	4,845	3,421	8,266
Printing and publishing	1,249	3,373	2,901	9,327	1,026	-	17,876	13,691	31,567
Professional fees	6,723	45,623	19,970	41,126	8,584	1,278	123,304	146,747	270,051
Repairs and maintenance	60,755	68,534	27,661	12,040	24,836	2,061	195,887	6,661	202,548
Supplies	86,755	155,301	62,253	13,162	11,083	-	328,554	33,614	362,168
Vehicle expenses	12,936	47,685	75,069	754	10,177	-	146,621	4,723	151,344
Miscellaneous	1,453	9,087	14,148	43,334	2,915	2,743	73,680	17,913	91,593
Depreciation	77,903	79,571	55,100	24,139	92,842	31,542	361,097	30,520	391,617
Interest	-	54,444	-	-	-	-	54,444	-	54,444
Total other expenses	<u>351,094</u>	<u>844,016</u>	<u>5,274,500</u>	<u>844,356</u>	<u>278,926</u>	<u>81,307</u>	<u>7,674,199</u>	<u>316,527</u>	<u>7,990,726</u>
	753,711	3,444,051	5,835,119	1,978,723	673,726	81,307	12,766,637	1,755,839	14,522,476
Less expenses included with revenues on the statement of activities									
Thrift store costs of goods sold	-	(29,478)	-	-	-	-	(29,478)	-	(29,478)
Total expenses included in the expense section on the statement of activities	<u>\$ 753,711</u>	<u>\$ 3,414,573</u>	<u>\$ 5,835,119</u>	<u>\$ 1,978,723</u>	<u>\$ 673,726</u>	<u>\$ 81,307</u>	<u>\$ 12,737,159</u>	<u>\$ 1,755,839</u>	<u>\$ 14,492,998</u>

Catholic Charities of Northern Nevada
Statement of Cash Flows
Year Ended June 30, 2022

Operating Activities	
Change in net assets	\$ 2,519,210
Adjustments to reconcile change in net assets to net cash used for operating activities	
Depreciation	391,617
Net gain on sale of fixed asset	(1,700)
Unrealized loss on investments	1,622
Investment income received on beneficial interest in assets held by others	694,902
Grants and contracts receivable	612,443
Other receivables	1,519
Inventory	43,607
Prepaid expenses	(74,115)
Deposits	7,134
Accounts payable	62,605
Accrued expenses	(4,451)
Net Cash from Operating Activities	<u>4,254,393</u>
Investing Activities	
Purchase of investments	(4,779,575)
Proceeds from sale of investments	804,000
Proceeds from sale of assets	1,700
Cash paid for capital purchases	<u>(431,924)</u>
Net Cash used for Investing Activities	<u>(4,405,799)</u>
Financing Activities	
Principal payment on notes payable	<u>(108,406)</u>
Change in Cash and Cash Equivalents	(259,812)
Cash and Cash Equivalents, Beginning of Year	<u>4,394,208</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 4,134,396</u></u>

Note 1 - Principal Activity and Significant Accounting Policies**Organization**

The purpose of Catholic Charities of Northern Nevada (the Organization) is to establish programs and service centers which will ensure that the basic needs of the poor, homeless, and disadvantaged people in northern Nevada will be met, as far as resources allow, in cooperation with other local agencies. The services provided include a dining room and a shelter for indigent transients and emergency assistance programs for the needy.

- Dining Room - Distributes approximately 1,000 hot, takeaway meals a day, 7 days a week. Lunch on the main campus is provided from 11:30 AM to 1:00 PM. Lunch and dinner are also provided to the Nevada CARES Campus.
- Thrift Stores - Accepting donations of gently used clothing, household items, and furniture. The thrift stores provide supplemental funding to our programs, as well as job training and employment based on eligibility.
- Food Commodities - Provides 45 to 65 pounds of food to up to 250 households a day, 5 days a week, as well as serving more than 40 popup pantries a month to rural, tribal, and frontier communities throughout northern Nevada.
- Emergency Assistance & Immigration - Serves those struggling to meet their most basic needs through emergency needs and benefits enrollment for adults ages 65 and older and persons with disabilities. Also provides high quality, low-cost or pro bono legal services to individuals and their families who seek to obtain or extend lawful immigration or U.S. citizenship.
- Battle Born - Provides residential wraparound support services to men in recovery to help them achieve economic equality and the realization of a meaningful and purposeful life.
- Housing & Residence – Rents several multi-tenant and single family homes to low income individuals.

Cash and Cash Equivalents

All cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

Grants and Contracts Receivables

Support reported under grants and contracts receivables is recorded when the related amounts are due from grantor agencies. Allowance for uncollectable accounts receivable is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. All amounts are considered collectible at June 30, 2022.

Inventory

The Organization records both purchased and donated food, except for inventory received relating to Emergency Food Assistance Program Grant, as inventory. Purchased food is valued at cost which approximates wholesale market value, using the first-in, first-out method of inventory valuation. For the year ended June 30, 2022, donated food and federal commodities are weighed and valued at \$1.76 per pound based on Feeding America's calculation of average wholesale price per pound which is directly related to the mix of products donated to Feeding America during the previous calendar year. The food commodities are held for subsequent distribution to the community, through the organization's food programs.

The accompanying financials statements do not reflect the value of donated thrift store inventory, which consists primarily of clothing and other household goods. The Organization records revenue for donated inventory when such inventory is sold in the thrift store.

Property and Equipment

Property and equipment additions over \$4,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 39.5 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2022.

Beneficial Interest in Assets Held by Catholic Community Foundation

During 2016, the Organization established an endowment fund that is perpetual in nature (the Fund) held at a community foundation and named the Organization as beneficiary. The Organization granted variance power to the community foundation, which allows the community foundation to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of the community foundation's Board of Trustees, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The fund is held and invested by the community foundation for the Organization's benefit and is reported at fair value in the statements of financial position, with changes in fair value recognized in the statements of activities as investment income.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment income is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) restrictions. Some donor imposed (or grantor) restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Revenue and Revenue Recognition

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Fees are recognized when services are performed.

The Organization recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest 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 on which they depend have been met.

Revenues from thrift store sales of merchandise and program service fees are recognized as the goods or services are delivered to the buyer; however, donated inventory is not recorded until the inventory is sold in the thrift store. Goods and services are sold to customers primarily located in Northern Nevada.

The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

Rental income from operating leases are recognized over the lease term. Lease terms are short-term in nature. Residents are referred to the residence program by case managers. Monthly rent is based on each tenant's individual ability to pay. For those able to pay, as determined by the case manager, rent is calculated based on the local Area Median Income (AMI) levels.

Donated Services and In-Kind Contributions

In-kind contributions include donated professional services, donated food, and other in-kind contributions which are recorded at the respective fair values of the goods or services received (Note 11). The Organization does not sell donated gifts-in-kind. In addition to in-kind contributions, volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation.

Advertising

Advertising costs are expensed as incurred and approximated \$6,723 during the year ended June 30, 2022.

Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, payroll taxes and employee benefits, occupancy, postage, printing and publishing, professional services, supplies, and depreciation, which are allocated on the basis of estimates of time and effort.

Income Taxes

The Organization is organized as a Nevada nonprofit corporation and have been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3), qualify for the charitable contribution deduction, and have been determined not to be a private foundation. The entity is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entity is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purpose. The Organization determined that the entity is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Management believes that each entity has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Organization to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash, money market accounts, and certificates of deposit with financial institutions believed by the Organization to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, no losses have been experienced in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies supportive of the Organization's mission. Investments are made by diversified investment managers whose performance is monitored by the Organization and the investment committee of the Board of Trustees. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Organization and the investment committee believe that the investment policies and guidelines are prudent for the long-term welfare of the organizations.

Change in Accounting Policy

As of July 1, 2021, the Organization adopted the provisions of Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires enhanced presentation and disclosure of contributed nonfinancial assets. Management has adopted the amendments of this update on a retrospective basis, because it provides increased and more transparent disclosure around contributed nonfinancial assets.

Recent Accounting Guidance

In February 2016, the FASB issued ASU 2016-02 "Leases" which replaces the existing guidance in ASC 840 "Leases". The standard is effective for fiscal years, and interim periods within those years, beginning after December 15, 2021. This standard requires a dual approach for lessee accounting under which a lessee would account for leases as finance leases or operating leases. Both finance leases and operating leases will result in the lessee recognizing a right-of-use ("ROU") asset and a corresponding lease liability. For finance leases, the lessee would recognize interest expense and amortization of the ROU asset and for operating leases the lessee would recognize a straight-line total lease expense. The Organization is currently assessing the impact the adoption of this standard will have on its financial statements and footnote disclosures.

Subsequent Events

The Organization has evaluated subsequent events through February 8, 2023, the date the financial statements were available to be issued.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$	4,134,396
Investments		4,047,953
Grants and contracts receivable		316,533
		<u>8,498,882</u>
Less:		
Net assets, board designated		25,000
Net assets with donor restrictions		1,691,852
		<u>1,716,852</u>
		<u>\$ 6,782,030</u>

As part of a liquidity management plan, cash in excess of daily requirements is invested in short-term investments, CDs, and money market funds.

Note 3 - Fair Value Measurements and Disclosures

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Organization's assessment of the quality, risk, or liquidity profile of the asset or liability.

Investment assets are classified within Level 1 because they comprise treasury bonds with readily determinable fair values based on daily redemption values. The Organization invests in treasury bonds traded in the financial markets. The fair values of beneficial interests in charitable and perpetual trusts are determined using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the underlying assets and are based on the fair values of trust investments as reported by the trustees. The fair value of beneficial interest in assets held by the community foundation is based on the fair value of fund investments as reported by the community foundation. These are considered to be Level 3 measurements.

Investments are categorized by level as follows at June 30, 2022:

	Fair Value Measurements at Report Date Using			Total
	Level 1	Level 2	Level 3	
Treasury Bonds	\$ 74,000	\$ -	\$ -	\$ 74,000
Treasury Fund	3,973,953	-	-	3,973,953
Beneficial interest				
Assets held by community foundation	-	-	5,169,880	5,169,880
	<u>\$ 4,047,953</u>	<u>\$ -</u>	<u>\$ 5,169,880</u>	<u>\$ 9,217,833</u>

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2022:

	<u>Assets Held by Community Foundation</u>
Balance at June 30, 2021	\$ 5,864,782
Investment return, net	<u>(694,902)</u>
Balance at June 30, 2022	<u>\$ 5,169,880</u>

Note 4 - Property and Equipment

Property and equipment consist of the following at June 30, 2022:

Land and improvements	\$ 2,059,896
Buildings and improvements	8,636,627
Furniture and equipment	1,574,938
Leasehold improvements	52,006
Vehicles	<u>727,221</u>
Less accumulated depreciation	<u>(5,564,783)</u>
	7,485,905
Construction in progress	<u>197,040</u>
	<u><u>\$ 7,682,945</u></u>

Note 5 - Lease Transactions

The Organization occupies various commercial spaces in Reno and Sparks under separate operating leases. Total lease expense for space rental, under the operating leases, was \$235,949 for the year ended June 30, 2022.

Future minimum lease payments due under all leases consisted of the following:

Years Ending June 30,	
2023	\$ 179,963
2024	146,706
2025	61,852
2026	33,202
2027	19,702
Thereafter	<u>-</u>
	<u><u>\$ 441,425</u></u>

Note 6 - Lessor Transactions

The Organization's leasing operations consist principally of the leasing of housing units (46 units), as well as four multi-tenant homes and two single family homes. All housing units are leased on a month-to-month basis. The Organization also has a Day Care Center which was operating under a long-term lease. Subsequent to year end, this lease was broken. Total rent income was \$536,143 for the year ended June 30, 2022.

Note 7 - Endowment

The Board of Trustees has interpreted the Nevada Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2022, there were no such donor stipulations. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts donated to the Endowment) and (b) any accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. The following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

As of June 30, 2022, endowment net asset composition by type of fund is as follows:

	<u>With Donor Restrictions</u>
Donor-restricted endowment funds	
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 4,637,795
Accumulated investment gains	<u>550,045</u>
	<u>\$ 5,187,840</u>

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2022, there were no underwater endowments.

Investment and Spending Policies

Investment and spending policies for the Endowment were adopted that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power

of the Endowment assets to provide the necessary capital to fund the spending policy and to cover the costs of managing the Endowment investments. Cash balances in excess of Operational Cash can be held as Investment Cash and Cash Equivalents in Investment Accounts. CCNN's investments are to be invested in short-term and intermediate-term fixed income instruments earning a market rate of return without assuming undue risk to principal.

The spending rate for funds held in Investment Accounts will be reviewed and a recommendation will be made by the Finance Committee and approved by the Board of Directors at least annually. During the budget process, the excess cash will be determined for the next fiscal year, and the difference will be trued up in the Investment account. As of June 30, each year, the market value in the investment account will be multiplied by an amount not to exceed 5% to determine the maximum amount available to be distributed for the fiscal year. Upon distribution, the amount is then allocated to participating programs based on their pro-rata share, based on donor intent, of the total Investment Account balances.

The board designated endowment has a spending plan which under the terms of the agreement, distributions to the Organization shall distribute four percent (4%) of the fair market value of the assets held by the Fund determined on the last business day of June of each calendar year.

Changes in Endowment net assets for the years ended June 30, 2022 are as follows:

	<u>With Donor Restrictions</u>
Endowment net assets, beginning of year	\$ 5,882,742
Investment return, net	<u>(694,902)</u>
Endowment net assets, end of year	<u>\$ 5,187,840</u>

Note 8 - Notes Payable

Notes payable consist of the following at June 30, 2022:

3.307% note payable, due in monthly installments of \$8,977, including interest, with a balloon payment due April 2031, secured by real property	\$ 1,505,577
Current portion of long-term debt	<u>59,758</u>
	<u>\$ 1,445,819</u>

Future maturities of long-term loans are as follows:

Years Ending June 30,		
2023	\$	59,758
2024		60,092
2025		62,269
2026		64,389
2027		66,581
Thereafter		1,192,488
	\$	1,505,577

Note 9 - Forgivable Loans

In December 2007 and April 2009, the organization entered an agreement with the Washoe County HOME Consortium that provided \$1,199,938 toward the construction of twenty-eight affordable apartments (eleven of which will be WCHC assisted) for twenty (20) years on Gould Street in Reno, Nevada.

In October of 2008, the organization entered into a Memorandum of Understanding (MOU) with Washoe County HOME Consortium (State of Nevada) to provide a forgivable loan of \$50,000 for the Gould Street project, conditioned for six (6) transitional housing units for not less than 20 years.

In July 2009, the organization entered into a contingent grant repayment agreement with Charles Schwab Bank, who received Affordable Housing Program Direct Subsidy (AHP) in the amount of \$325,000 and to be used for the Gould Street project with a retention period of fifteen (15) years.

Repayments on the loan, MOU, and grant repayment agreement are deferred until such time as the property is sold, transferred, or no longer affordable. If the Organization stays in compliance through the compliance period the amount will be recognized as grant revenue at that time.

Note 10 - Beneficial Interest in Assets Held by Catholic Community Foundation

The organization transferred assets to the Paule A. Bosace Endowment Fund (Fund) controlled by The Catholic Community Foundation of The Diocese of Reno (CCF), the balance of which is shown on the statement of financial position as a Beneficial Interest in Assets Held by The Catholic Community Foundation of The Diocese of Reno. The Fund provides individuals and families in Washoe County, Nevada, with food. Under the terms of the agreement, distributions to the organization shall distribute four percent (4%) of the fair market value of the assets held by the Fund determined on the last business day of June of each calendar year. If for any reason, the Board of Trustees of Catholic Charities of Northern Nevada determines that an emergency situation exists, the Board of Directors of CCF may increase the annual distribution above the four percent (4%) disbursement level.

Should the purposes for which the Fund was created become obsolete, illegal or incapable of fulfillment, it is the responsibility of the Board of Trustees to use the Fund for a purpose as similar as possible to those set forth in the agreement between with Catholic Charities of Northern Nevada and The Catholic Community Foundation of The Diocese of Reno.

Note 11 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at June 30, 2022.

Subject to Expenditure for Specified Purpose	
Dining Room	\$ 224,479
Food Pantry	1,000
Housing and Residence	14
Emergency Assistance and Immigration	5,284
Other Restricted Funds	<u>1,461,075</u>
Total	<u>1,691,852</u>
Endowments	
Subject to appropriation and expenditure when a specified event occurs	
Restricted by donors for general use	550,045
Perpetual in nature, earnings from which are subject to endowment spending policy appropriation	
	<u>4,637,795</u>
Total endowments	<u>5,187,840</u>
	<u><u>\$ 6,879,692</u></u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30, 2022:

Subject to Expenditure for Specified Purpose	
Dining Room	\$ 3,051
Food Pantry	45,047
Housing and Residence	18,405
Emergency Assistance and Immigration	94,909
Other Restricted Funds	<u>2,587,071</u>
	<u><u>\$ 2,748,483</u></u>

Note 12 - Employee Benefits

The Organization sponsors a tax-deferred annuity plan (the Plan) qualified under IRC Section 403(b) covering substantially all employees. There is no minimum age or service requirements for the employees to participate. The plan provides that employees who have attained the age of 21 and completed one year of service may voluntarily contribute from 1 percent to 6 percent of their earnings to the Plan, up to the maximum contribution allowed by the IRS. The organization's matching contribution is 50% of the basic employee contribution, plus the organization will make a 3% contribution on all participating employees' compensation. During the years ended June 30, 2022 the Organization matched employee voluntary contributions up to 6 percent, resulting in contributions to the plan of \$124,989 are included in employee benefits on the Statement of Functional Expenses.

Note 13 - In-kind Contributions

For the years ended June 30, 2022, in-kind contributions recognized within the statements of activities included the following:

	<u>Program Services</u>
Food	\$ 4,489,263

Contributed food are valued based on the rates provided by the Food Bank of Northern Nevada through the Department of Agriculture. Contributed food is used in program services.



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

To the Board of Trustees
Catholic Charities of Northern Nevada
Reno, Nevada

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Catholic Charities of Northern Nevada (a nonprofit organization), which comprise Catholic Charities of Northern Nevada's statement of financial position of June 30, 2022, and the related 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 February 8, 2023.

Report on Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2022-001, 2022-002, and 2022-003 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Catholic Charities of Northern Nevada's 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 of 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*.

Catholic Charities of Northern Nevada's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Catholic Charities of Northern Nevada's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. Catholic Charities of Northern Nevada's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Reno, Nevada
February 8, 2023



Independent Auditor’s Report on Compliance for the Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Trustees
Catholic Charities of Northern Nevada
Reno, Nevada

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Catholic Charities of Northern Nevada’s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on Catholic Charities of Northern Nevada’s major federal program for the year ended June 30, 2022. Catholic Charities of Northern Nevada’s 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 of Northern Nevada complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2022.

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

We are required to be independent of Catholic Charities of Northern Nevada 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 of Northern Nevada’s 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 of Northern Nevada's federal program.

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

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

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

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

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.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Reno, Nevada
February 8, 2023

Catholic Charities of Northern Nevada
 Schedule of Expenditures and Federal Awards
 Year Ended June 30, 2022

Federal Grantor/ Pass-Through Grantor / Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
<u>U.S. Department of Agriculture</u>			
Passed through the Nevada Department of Health and Human Services			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	OUT2203	\$ 9,700
Passed through the Food Bank of Northern Nevada			
Emergency Food Assistance Program (Food Commodities)	10.569	N/A	<u>1,351,362</u>
Total U.S. Department of Agriculture			<u>1,361,062</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through Washoe County Home Consortium			
Emergency Solutions Grant Program	14.231	E20-DW-32-0001	<u>510,990</u>
<u>U.S. Department of Justice</u>			
Passed through the State of Nevada			
Crime Victim Assistance	16.575	16575-20-007	<u>71,437</u>
<u>U.S. Department of Health and Human Services</u>			
Passed through the National Council on Aging			
National Organizations of State and Local Officials	93.011	U3UHS45469-01-01	113,572
Passed through the Nevada Department of Health and Human Services			
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers (COVID)	93.044	18-065-59-BC5X-22	27,643
Passed through the National Council on Aging			
Medicare Enrollment Assistance Program	93.071	N/A	56,538
Passed through the Nevada Department of Health and Human Services			
MaryLee Allen Promoting Safe and Stable Families Programs	93.556	93556-21-005	39,521
Passed through the Catholic Charities of Southern Nevada and Northern Nevada International Center			
Refugee and Entrant Assistance State/Replacement Designee Administered Program	93.566	33-33-574	9,473

Catholic Charities of Northern Nevada
Schedule of Expenditures and Federal Awards
Year Ended June 30, 2022

Federal Grantor/ Pass-Through Grantor / Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
Passed through the Nevada Department of Health and Human Services Community-Based Child Abuse Prevention	93.590	93590-20-101	\$ 21,999
Total U.S. Department of Health and Human Services			<u>268,746</u>
<u>U.S. Department of Homeland Security</u>			
Passed through the State of Nevada Citizenship Education and Training	97.010	19CICET00118-01-02	<u>29,090</u>
<u>U.S. Department of Treasury</u>			
Passed through Nevada Department of Agriculture Coronavirus State and Local Fiscal Recovery Funds	21.027	ARPA-NCFA22-01	<u>14,234</u>
<u>Centers for Disease Control Prevention</u>			
Passed through Nevada State Division of Public Behavioral Health Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	93.391	1 NH75OT000092-01-00	<u>381,233</u>
Total Expenditures of Federal Awards			<u>\$ 2,636,792</u>

Note 1 - Basis of Presentation

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

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting except for the loan balance as discussed in Note D. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement.

No federal financial assistance has been provided to a subrecipient.

Note 3 - De Minimis Cost Rate

The Organization has elected to use the 10-percent de minimis indirect cost rate.

Note 4 - Department of Agriculture (Food Commodities)

Federal expenditures for the Emergency Food Assistance Program (Food Commodities) include in-kind donations in the amount of \$1,351,362 that were disbursed during fiscal year ending June 30, 2022; Food commodities were received from the Food Bank of Northern Nevada. Amounts expended may differ from amounts awarded. The value of the in-kind donation was based on the amounts provided by the Food Bank of Northern Nevada through the Department of Agriculture.

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor's report issued:	Qualified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major program:	
Material weaknesses identified	No
Significant deficiency identified not considered to be material weaknesses	None reported
Type of auditor's report issued on compliance for the major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516	No

Identification of major program:

	Federal Financial Assistance Listing Number
Emergency Food Assistance Program (Food Commodities)	10.569
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

2022-001 Financial Reporting Material Weakness

Criteria: Management is responsible for establishing and maintaining an effective system of internal control over financial statement reporting. One of the components of an effective system of internal control over financial reporting is the preparation of full disclosure financial statements in accordance with generally accepted accounting principles.

Condition: Generally Accepted Accounting Principles requires that items donated for the thrift store be recorded at time donation.

Cause: The Organization records contribution revenue from noncash donations to the Thrift Store when the Thrift Store sells the donated items, rather than recording revenue when the contribution is received by the Thrift Store. As such, inventory and contribution revenue from noncash donations on-hand, as well as cost of sales, have not been recorded. Internal controls over financial statements did not identify the appropriate accounting necessary.

Effect: Errors or omissions could occur without being identified.

Recommendation: We recommend the Organization enhance internal controls to ensure financial statement are properly recorded in accordance with generally accepted accounting principles or exceptions are properly documented.

Views of Responsible

Officials: Management is in agreement with the finding.

2022-002 Value of Donated Food Material Weakness

Criteria: Management is responsible for establishing and maintaining an effective system of internal control over financial statement reporting. One of the components of an effective system of internal control over financial reporting is recording the fair value of donated foods with appropriate supporting documentation.

Condition: Appropriate documentation is required to support the value recorded in the financial statements.

Cause: Documentation for donated food was not consistently documented and retained, weight was estimated and the value per pound was not supported for certain donations.

Effect: The value of donated food may be misstated.

Recommendation: We recommended that the Organization create internal control policies to have appropriate documentation of actual weight received, documentation has all detailed information necessary and the value per pound is properly supported in prior year. EB noted the recommendations were made during the year, however, not retroactively corrected for previously recorded inventory.

Views of Responsible

Officials: Management is in agreement with the finding.

2022-003 Preparation of Schedule of Federal Expenditures and Supporting Documentation Material Weakness

Criteria: Management is responsible for establishing and maintaining an effective system of internal control over the preparation of the schedule of federal expenditures.

Condition: The accounting system does not track the federal expenditures.

Cause: The Organization retains documentation for federal expenditures outside of the accounting system.

Effect: Errors or omissions could occur without being identified in federal expenditures.

Recommendation: We recommend the Organization enhance internal controls to ensure total Federal expenditures are accurately reported on the SEFA.

Views of Responsible

Officials: Management is in agreement with the finding.

Section III – Federal Award Findings and Questioned Costs

None noted.