



**St. Catherine Center for
Special Needs, Inc.**

Financial Statements

June 30, 2020 and 2019

Independent Auditors' Report

Board of Directors St. Catherine Center for Special Needs Inc.

We have audited the accompanying financial statements of St. Catherine Center for Special Needs Inc. (the "Center"), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Catherine Center for Special Needs Inc. as of June 30, 2020 and 2019, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2020 on our consideration of St. Catherine Center for Special Needs Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center'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 St. Catherine Center for Special Needs Inc.'s internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Stamford, Connecticut
November 30, 2020

St. Catherine Center for Special Needs Inc.

Statements of Financial Position

	June 30,	
	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 1,675,912	\$ 1,190,435
Tuition and fees receivable, net	81,763	31,927
Grants and other receivables	89	293,464
Prepaid expenses	24,481	20,425
Investments	2,215,186	2,160,107
Property and equipment, net	<u>1,579,671</u>	<u>1,681,760</u>
	<u>\$ 5,577,102</u>	<u>\$ 5,378,118</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 83,160	\$ 56,067
Deferred revenue	8,100	3,800
Due to The Bridgeport Roman Catholic Diocesan Corporation	<u>278,656</u>	<u>99,217</u>
Total Liabilities	<u>369,916</u>	<u>159,084</u>
Net Assets		
Without donor restrictions		
Undesignated	3,216,754	3,079,493
Property and equipment	<u>1,579,671</u>	<u>1,681,760</u>
Total without donor restrictions	4,796,425	4,761,253
With donor restrictions	<u>410,761</u>	<u>457,781</u>
Total Net Assets	<u>5,207,186</u>	<u>5,219,034</u>
	<u>\$ 5,577,102</u>	<u>\$ 5,378,118</u>

See notes to financial statements

St. Catherine Center for Special Needs Inc.

Statements of Activities

	Year Ended June 30, 2020			Year Ended June 30, 2019		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
REVENUE AND SUPPORT						
Tuition and fees	\$ 924,238	\$ -	\$ 924,238	\$ 992,600	\$ -	\$ 992,600
Financial aid	(159,800)	-	(159,800)	(163,600)	-	(163,600)
Net Tuition and Fees	764,438	-	764,438	829,000	-	829,000
Adult program fees	903,862	-	903,862	788,711	-	788,711
Contributions and grants	519,525	48,297	567,822	677,645	61,322	738,967
Fundraising events, net of direct expenses	-	-	-	223,152	211,680	434,832
Investment return, net	58,539	1,623	60,162	69,293	2,093	71,386
Net assets released from restrictions	96,940	(96,940)	-	90,811	(90,811)	-
Total Revenue and Support	<u>2,343,304</u>	<u>(47,020)</u>	<u>2,296,284</u>	<u>2,678,612</u>	<u>184,284</u>	<u>2,862,896</u>
EXPENSES						
Program services	1,914,619	-	1,914,619	1,896,136	-	1,896,136
Management and general	240,605	-	240,605	261,037	-	261,037
Development and fundraising	33,969	-	33,969	33,655	-	33,655
Total Expenses Before Depreciation and Amortization	2,189,193	-	2,189,193	2,190,828	-	2,190,828
Depreciation and amortization	118,939	-	118,939	119,900	-	119,900
Total Expenses	<u>2,308,132</u>	<u>-</u>	<u>2,308,132</u>	<u>2,310,728</u>	<u>-</u>	<u>2,310,728</u>
Change in Net Assets	35,172	(47,020)	(11,848)	367,884	184,284	552,168
NET ASSETS						
Beginning of year	<u>4,761,253</u>	<u>457,781</u>	<u>5,219,034</u>	<u>4,393,369</u>	<u>273,497</u>	<u>4,666,866</u>
End of year	<u>\$ 4,796,425</u>	<u>\$ 410,761</u>	<u>\$ 5,207,186</u>	<u>\$ 4,761,253</u>	<u>\$ 457,781</u>	<u>\$ 5,219,034</u>

See notes to financial statements

St. Catherine Center for Special Needs Inc.

Statement of Functional Expenses
Year Ended June 30, 2020

	Program Services			Management and General	Development and Fundraising	Total
	St. Catherine's Academy	Adult Day Program	Other Programs			
Personnel costs						
Salaries	\$ 516,824	\$ 650,923	\$ 20,992	\$ 149,057	\$ 13,971	\$1,351,767
Payroll taxes and benefits	193,025	163,224	7,911	48,379	4,791	417,330
Total Personnel Costs	709,849	814,147	28,903	197,436	18,762	1,769,097
Professional therapy services	89,349	-	-	-	-	89,349
Maintenance and repair	43,166	37,112	7,162	3,403	1,427	92,270
Professional fees	1,395	10,973	23	28,533	39	40,963
Program activities	11,314	14,359	80	-	-	25,753
Rent	14,250	12,000	2,850	900	-	30,000
Utilities	10,262	8,642	2,052	648	-	21,604
Transportation	7,625	19,373	-	-	-	26,998
Textbooks, publications and supplies	8,586	7,448	1,095	529	2,074	19,732
Other	8,181	3,756	1,870	3,868	2,491	20,166
Insurance	6,098	12,745	550	350	-	19,743
Printing and postage	10,539	3,623	1,141	2,552	7,696	25,551
Bank and other charges	776	-	128	1,081	1,404	3,389
Food and beverage	2,139	560	498	1,305	76	4,578
Total Expenses Before Depreciation and Amortization	923,529	944,738	46,352	240,605	33,969	2,189,193
Depreciation and amortization	67,795	41,628	5,650	3,866	-	118,939
Total Expenses	\$ 991,324	\$ 986,366	\$ 52,002	\$ 244,471	\$ 33,969	\$2,308,132

See notes to financial statements

St. Catherine Center for Special Needs Inc.

Statement of Functional Expenses
Year Ended June 30, 2019

	Program Services			Management and General	Development and Fundraising	Direct Donor Benefits	Total	
	St. Catherine's Academy	Adult Day Program	Other Programs					
Personnel costs								
Salaries	\$ 567,883	\$580,364	\$ 26,126	\$ 1,174,373	\$ 157,553	\$ 12,991	\$ -	\$1,344,917
Payroll taxes and benefits	185,304	136,070	9,529	330,903	50,017	4,192	-	385,112
Total Personnel Costs	753,187	716,434	35,655	1,505,276	207,570	17,183	-	1,730,029
Professional therapy services	104,574	-	-	104,574	-	-	-	104,574
Maintenance and repair	40,524	30,749	6,264	77,537	3,189	1,381	-	82,107
Professional fees	2,446	3,587	102	6,135	41,219	1,461	-	48,815
Program activities	16,382	25,677	32	42,091	-	-	-	42,091
Rent	14,250	12,000	2,850	29,100	900	-	-	30,000
Utilities	12,634	10,640	2,527	25,801	798	-	-	26,599
Transportation	7,782	16,737	-	24,519	-	-	-	24,519
Textbooks, publications and supplies	16,344	7,057	493	23,894	1,280	3,620	-	28,794
Bad debts	8,750	-	-	8,750	-	-	-	8,750
Other	7,241	4,519	1,148	12,908	2,920	1,445	-	17,273
Insurance	5,056	10,129	491	15,676	293	-	-	15,969
Printing and postage	8,268	4,395	779	13,442	2,051	4,122	-	19,615
Bank and other charges	3,070	-	510	3,580	507	4,358	-	8,445
Catering cost	-	-	-	-	-	-	40,051	40,051
Food and beverage	1,532	54	1,267	2,853	310	85	-	3,248
Total Expenses Before Depreciation and Amortization	1,002,040	841,978	52,118	1,896,136	261,037	33,655	40,051	2,230,879
Depreciation and amortization expense	68,343	41,966	5,695	116,004	3,896	-	-	119,900
	1,070,383	883,944	57,813	2,012,140	264,933	33,655	40,051	2,350,779
Direct donor benefit	-	-	-	-	-	-	(40,051)	(40,051)
Total Expenses	<u>\$ 1,070,383</u>	<u>\$883,944</u>	<u>\$ 57,813</u>	<u>\$2,012,140</u>	<u>\$ 264,933</u>	<u>\$ 33,655</u>	<u>\$ -</u>	<u>\$2,310,728</u>

See notes to financial statements

St. Catherine Center for Special Needs Inc.

Statements of Cash Flows

	Year Ended June 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (11,848)	\$ 552,168
Adjustments to reconcile change in net assets to net cash from operating activities		
Unrealized loss on investments	1,765	16,528
Depreciation and amortization	118,939	119,900
Provision for bad debts	(9,700)	8,750
Contributions for capital expenditures	-	(214,225)
Changes in operating assets and liabilities		
Tuition and fees receivable	(40,136)	(31,726)
Grants and other receivables	293,375	(211,388)
Prepaid expenses	(4,056)	(2,754)
Accounts payable and accrued expenses	27,093	(4,730)
Deferred revenue	4,300	2,640
Due to The Bridgeport Roman Catholic Diocesan Corporation	4,483	(86,657)
Net Cash from Operating Activities	384,215	148,506
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	-	(400,000)
Acquisitions of property and equipment	(16,850)	(44,526)
Interest and dividend income reinvested	(56,844)	(86,740)
Net Cash from Investing Activities	(73,694)	(531,266)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from The Bridgeport Roman Catholic Diocesan Corporation	174,956	-
Contributions for capital expenditures	-	214,225
Net Cash from Financing Activities	174,956	214,225
 Change in cash and cash equivalents	485,477	(168,535)
 CASH AND CASH EQUIVALENTS		
Beginning of year	1,190,435	1,358,970
End of year	\$1,675,912	\$1,190,435
 SUPPLEMENTAL CASH FLOW INFORMATION		
Disposal of fully depreciated equipment	\$ 6,405	\$ 15,918

See notes to financial statements

St. Catherine Center for Special Needs Inc.

Notes to Financial Statements
June 30, 2020 and 2019

1. Organization

St. Catherine Center for Special Needs Inc. (the “Center”) offers a functional academic and life skills curriculum to children and adults with intellectual disabilities and other developmental and learning disabilities. The Center was established in 1999 as a private special education program of The Bridgeport Roman Catholic Diocesan Corporation (the “Diocese”) and was formerly known as St. Catherine Academy (the “Academy”). In October 2014, the Diocese formed St. Catherine Center for Special Needs Inc. and contributed the assets and liabilities of the Academy to the Center. The Center is a Connecticut nonstock corporation whose members are made up of the individuals holding the offices of Bishop of the Diocese, the Vicar General of the Diocese and the Secretary of Faith Formations.

Located in a facility on the grounds of Holy Cross Church in Fairfield, Connecticut, the Center’s programs include the “Academy” which provides state-approved, private special education for students of all faiths, aged 5-21, as well as the Office of Parish and Community Outreach, the Office of Inclusive Support and the Adult Day Program. Its mission is to oversee unified pastoral and educational support for individuals with disabilities while serving as a centralized resource for the Diocesan community. The Center strives to foster the educational, spiritual and social well-being of individuals with disabilities. The Center’s Academy had enrollment of 14 and 17 students (authorized to serve up to 28 students) for the years ended June 30, 2020 and 2019. The Center Adult Day Program, established in 2015, served 25 and 22 adults for the years ended June 30, 2020 and 2019.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements of the Center have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Adoption of New Accounting Policies

- I. Effective July 1, 2019, the Center adopted Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. The new revenue recognition guidance does not apply to how contributions and pledges are recognized, as they are specifically scoped out of the new guidance.

The core principle of the new guidance is that an entity should recognize revenue from the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to receive for those promised goods or services to customers. The guidance includes a five-step framework to determine the timing and amount of revenue to recognize related to contracts with customers. This guidance also requires new or expanded disclosures related to judgments made by entities when following this framework.

St. Catherine Center for Special Needs Inc.

Notes to Financial Statements
June 30, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Adoption of New Accounting Policies (continued)

Analysis of various provisions of this standard resulted in no significant changes in the way the Center recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The new guidance requires the Center to not recognize revenue until it is probable of collection. Based on the Center's strong collection experience, management has concluded that all revenue recognized is probable of collection.

- II. Effective July 1, 2019, the Center adopted ASU 2018-08, *Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*. This guidance provides a framework for evaluating whether grants and contributions should be accounted for as exchange transactions or as non-exchange transactions. Analysis of various provisions of this standard resulted in no significant changes in the way the Center recognizes contributions, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

Net Asset Presentation

Net assets without donor restrictions may be expended for any purpose in performing the primary objectives of the Center. Net assets with donor restrictions are subject to stipulations imposed by donors. Some donor restrictions are temporary in nature or satisfied by the passage of time. Other donor restrictions may be perpetual in nature, whereby the donor has stipulated the funds be held in perpetuity.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. Financial statement areas where management applies the use of estimates include the allowance for doubtful accounts, the functional allocation of expenses, depreciation and amortization. It is management's opinion that the estimates applied in the accompanying financial statements are reasonable.

Cash and Cash Equivalents

Cash and cash equivalents are defined as highly liquid investments with remaining maturities of up to 90 days at the time of purchase.

Allowance for Uncollectible Receivables

An allowance for uncollectible receivables is estimated based on a combination of write-off history, aging analysis and any specific known troubled accounts.

St. Catherine Center for Special Needs Inc.

Notes to Financial Statements
June 30, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 7 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses, if any, include gains and losses on investments bought and sold as well as held during the year.

The Center's Finance Committee determines the Center's valuation policies and procedures. The Committee utilizes information provided by the investment brokers with which investments are held to value investments.

Property and Equipment

Property, equipment and improvements thereon that exceed \$1,000 are capitalized at cost, or if received by donation, at estimated fair value at the time such items are received. Expenditures for maintenance and repairs are expensed as incurred. Leasehold improvements are amortized over the lesser of the estimated useful life of the asset or the term of the lease inclusive of expected renewals. Property, equipment and improvements are depreciated or amortized on a straight-line basis over the following estimated useful lives:

Leasehold improvements	10 - 40 years
Furniture and fixtures	5 – 7 years
Computers	5 years
Vehicles	5 years
Other equipment	5 – 10 years

Contributions

Unconditional contributions are recognized when pledged or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions receivable that are expected to be collected in more than one year are recorded at fair value using a present value technique. The Center reports contributions and grants of cash and other assets as restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, net assets with donor restrictions are released to net assets without donor restrictions. Contributions received whose restrictions are met in the same period are recognized as net assets without donor restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

St. Catherine Center for Special Needs Inc.

Notes to Financial Statements
June 30, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Contributions (continued)

Contributed services are recognized in the financial statements if they enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. General volunteer services do not meet these criteria for recognition. Donated goods are recorded as support and expensed at fair value.

Revenue

Revenue from tuition and program fees are recognized, and associated performance obligations are satisfied, over time as services are provided. Tuition is reported net of allowances for scholarships. Revenue received in advance for the ensuing year, if any, is deferred and recognized as income over the period services are provided.

Functional Expense Allocation

Expenses are charged directly to program services, management and general, and development and fundraising based on specific identification to the extent practicable. Expenses related to more than one function have been allocated based primarily on either estimates of time spent by Center employees or square footage, as appropriate. Management and general expenses include those expenses that are not directly identifiable with a specific function but provide for the overall support and direction of the Center. The expenses that are allocated include salaries and related expenses, professional fees, program activities, occupancy cost and maintenance, office supplies and expenses, telephone, printing and postage insurance and other.

Income Taxes

The Internal Revenue Service has held that religious institutions operated, supervised or controlled by the Roman Catholic Church in the United States appearing in "The Official Catholic Directory" are exempt from federal income tax under Section 501(c)(3). The Center is listed in The Official Catholic Directory and therefore is exempt from income tax. The Center has elected to file Internal Revenue Service Form 990, Return of Organization Exempt from Income Tax. The Center recognizes the effect of income tax positions only if those positions are more likely than not to be sustained and, accordingly, believes that income tax positions are consistent with its exemption.

Subsequent Events

In preparing these financial statements, management has evaluated subsequent events through November 30, 2020, which represents the date the financial statements were available to be issued.

St. Catherine Center for Special Needs Inc.

Notes to Financial Statements
June 30, 2020 and 2019

3. Liquidity and Availability

The following reflects the Center's available financial assets, reduced by amounts not available for general use within one year. Amounts not available for use within one year included financial assets received with donor restrictions that are designated for a specific purpose, timeline or contractual obligation, and have been earmarked as resources available for future years.

Total financial assets available to meet cash needs for general expenditure within one year at June 30 are as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,675,912	\$ 1,190,435
Tuition and fees receivable, net	81,763	31,927
Grants and other receivables	89	293,464
Investments	<u>2,215,186</u>	<u>2,160,107</u>
Total Financial Assets Available Within One Year	<u>3,972,950</u>	<u>3,675,933</u>
Less amounts unavailable for general expenditures within one year due to		
Restricted by donors as to use	360,761	407,781
Restricted by donors - to be held in perpetuity	<u>50,000</u>	<u>50,000</u>
	<u>410,761</u>	<u>457,781</u>
Total Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 3,562,189</u>	<u>\$ 3,218,152</u>

The principal source of liquidity is cash flow generated from service fees and contributions. As part of the Center's liquidity strategy, management structures its financial assets, consisting of cash, investments, and receivables to be available as its general expenditures, liabilities and obligations come due within one year. Excess cash is invested in highly liquid fixed income securities, which could be drawn upon readily in the event of an unanticipated liquidity need.

4. Concentrations

The Center's financial instruments that are exposed to a concentration of credit risk consist primarily of cash and cash equivalents and investments.

Cash and cash equivalents - The Center places its cash and cash equivalent deposits with one financial institution. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC insured) up to \$250,000. As of June 30, 2020, the uninsured balance is approximately \$1,157,367. The Organization has not experienced any loss in such accounts and management believes that the Center's deposits are not subject to significant credit risk.

St. Catherine Center for Special Needs Inc.

Notes to Financial Statements
June 30, 2020 and 2019

4. Concentrations (*continued*)

Investments - The Center's investments are comprised of various mutual funds that invest in equities and fixed income securities. These money market funds are not protected by federal depository insurance. The value of the investments is subject to fluctuations due to general market conditions and interest rates. Management considers investments to be sufficiently diversified to minimize individual investment and industry concentration risks.

The Center's adult day program is partially funded by a contract with the State of Connecticut. Revenue earned in connection with this contract was \$903,861 and \$771,895 for the years ended June 30, 2020 and 2019.

5. Tuition and Fees Receivable

Tuition and fees receivable are shown net of estimated uncollectible balances of \$9,665 and \$19,365 at June 30, 2020 and 2019, respectively.

6. Grants and Other Receivables

Grants and other receivables consist of the following at June 30:

	2020	2019
Grants	\$ -	\$ 31,000
Contributions and fundraising	89	262,464
	<u>\$ 89</u>	<u>\$ 293,464</u>

7. Fair Value Measurements and Investments

The Center follows U.S. GAAP guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. If there is uncertainty or the inability to redeem an investment at net asset value in the near term subsequent to the measurement date, the investment is categorized as Level 3.

St. Catherine Center for Special Needs Inc.

Notes to Financial Statements
June 30, 2020 and 2019

7. Fair Value Measurements and Investments (continued)

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2020 and 2019.

Mutual Funds - Mutual funds are valued at the quoted net asset value of shares reported in the active market in which the funds are traded at year-end.

The following is a summary of the fair value of investments at June 30:

	<u>2020</u>	<u>2019</u>
Level 1 Inputs		
Bond funds	\$ 1,491,461	\$ 1,278,325
Equities	<u>723,725</u>	<u>881,782</u>
	<u>\$ 2,215,186</u>	<u>\$ 2,160,107</u>

Investment return for the years ended June 30 includes earnings on cash equivalents and is comprised of the following:

	<u>2020</u>	<u>2019</u>
Dividends and capital gains on investments	\$ 56,844	\$ 86,740
Interest on cash equivalents	5,083	1,174
Realized/unrealized gain (loss)	<u>(1,765)</u>	<u>(16,528)</u>
	<u>\$ 60,162</u>	<u>\$ 71,386</u>

8. Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Leasehold improvements	\$ 2,255,054	\$ 2,245,266
Furniture and fixtures	45,338	45,338
Computers	31,114	30,457
Vehicles	267,334	267,334
Other equipment	<u>44,928</u>	<u>44,928</u>
	2,643,768	2,633,323
Accumulated depreciation and amortization	<u>(1,064,097)</u>	<u>(951,563)</u>
	<u>\$ 1,579,671</u>	<u>\$ 1,681,760</u>

St. Catherine Center for Special Needs Inc.

Notes to Financial Statements
June 30, 2020 and 2019

9. Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes at June 30:

	<u>2020</u>	<u>2019</u>
Purpose		
Capital improvements	\$ 173,724	\$ 211,680
Social enterprise and vocational	129,873	119,873
Technology and vehicle purchase	14,126	36,070
Scholarships	1,200	21,800
Adult program	35,046	11,102
Others	2,943	5,030
Accumulated income on donor-restricted endowment assets restricted until appropriated	3,849	2,226
To be held in perpetuity	<u>50,000</u>	<u>50,000</u>
	<u>\$ 410,761</u>	<u>\$ 457,781</u>

10. Net Asset Released from Restrictions

Net assets were released from restrictions for the satisfaction of purpose or time restrictions as follows during the years ended June 30:

	<u>2020</u>	<u>2019</u>
Purpose restriction		
Adult program	\$ 10,210	\$ 24,985
Technology	11,944	11,455
Art therapy program	5,000	2,500
Scholarships	800	2,300
Vehicle purchases	10,000	-
Capital improvement	37,956	-
Other	30	19,571
Time restriction	<u>21,000</u>	<u>30,000</u>
	<u>\$ 96,940</u>	<u>\$ 90,811</u>

St. Catherine Center for Special Needs Inc.

Notes to Financial Statements
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11. Endowment

The Center's endowment consists of a donor-restricted endowment fund. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Center has interpreted the Connecticut Prudent Management of Institutional Funds Act ("CTPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Center classifies as net assets with donor restrictions to be maintained in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The amounts not held in perpetuity are held as donor restricted funds until appropriated for expenditure by the Center in a manner consistent with the standard of prudence prescribed by CTPMIFA. The Center's investment policy follows a conservative – moderate risk profile and long term growth.

In accordance with CTPMIFA, the Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the donor-restricted endowment fund
- The investment policies of the Center
- 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 Center

The Center's donor-restricted endowments by net asset classification and a reconciliation of these amounts as of and for the years ended, June 30 are as follows:

	<u>2020</u>	<u>2019</u>
Balance, beginning	\$ 52,226	\$ 50,168
Interest income	<u>1,623</u>	<u>2,058</u>
Balance, ending	<u>\$ 53,849</u>	<u>\$ 52,226</u>

12. Donated Services

Included in contributions and grants are approximately \$4,450 and \$6,300 of contributed professional services for the years ended June 30, 2020 and 2019. These amounts are included in program services expense as salaries in the statements of functional expenses.

St. Catherine Center for Special Needs Inc.

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13. Defined Benefit Plan

The Center participates in the Bridgeport Diocesan Pension Plan (the "DB Plan"), a multi-employer, defined benefit plan sponsored by The Bridgeport Roman Catholic Diocesan Corporation (the "Diocese"). The DB Plan, a church plan not subject to the Employee Retirement Income Security Act of 1974, covers all lay employees of the sponsor and participating Diocesan employers who work 20 hours or more per week, have attained the age of 30 and have at least 3 years of continuous service prior to July 2, 2008, when participation was frozen. Effective July 31, 2010, pension benefits under the DB Plan were frozen. Pension benefits under the DB Plan are based on years of service and average compensation over a five-year period during the last 10 years of service, prior to July 31, 2010.

Due to the nature of the Lay Plan, it is not practicable to determine the extent to which the assets of the Lay Plan cover the actuarially computed value of vested benefits for the School on a stand-alone basis. In addition, because the Lay Plan is considered to be a multi-employer plan, it is only subject to certain minimum reporting requirements. The School's required contributions were \$12,792 for the years ended June 30, 2020 and 2019, and are expected to be approximately \$12,936 for the year ending June 30, 2020.

The Lay Plan is considered a church plan and is therefore exempt from the provisions of the Employee Retirement Income Security Act of 1974, as amended. At June 30, 2019, the date of the most recent valuation, the Lay Plan's projected benefit obligation exceeded the fair value of its assets by approximately \$92.5 million (unaudited).

14. Defined Contribution Plan

The Center participates in the Diocese's defined-contribution 401(a) thrift plan covering all lay employees of the Diocese and other Diocesan entities who worked at least 30 hours per week, who meet the eligibility requirements of one year of service, and who were 21 years of age. Contributions are based on years of service to Diocesan entities at rates of 3% and 5%. The Center's contributions were \$39,983 and \$32,388 for the years ended June 30, 2020 and 2019.

The Center also participates in the Diocese's 403(b) salary reduction plan for all employees who wish to contribute. The Center does not make any contributions to this plan.

15. State of Connecticut Department of Developmental Services Bridge Funding

During the fiscal year ended June 30, 2019, the Agency received additional \$3,297 (total of \$64,211 including prior years) in bridge funding from the Department of Developmental Services (DDS) to fund billings that had not yet been processed by DDS. The bridge funding has been netted against a receivable from DDS in the amount of \$151,140 resulting in net receivable of \$86,929 and \$5,152 at June 30, 2020 and 2019. This amount is included in tuition and fees receivable, net.

St. Catherine Center for Special Needs Inc.

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16. Related Party Transactions (Not Disclosed Elsewhere)

In July 2012, the Center entered into a long-term lease agreement for the space with Holy Cross Church. The Center amended the lease with the Holy Cross Church in November 15, 2017 at which time the annual base rent increased from \$21,600 to \$30,000. Beginning on July 1, 2022, the annual base rent shall increase to \$32,400. Upon execution of the amendment, the Center paid a \$10,000 lump sum to the Church as a capital repair contribution. Beginning on July 1, 2032 and on each tenth anniversary, the base rent shall be adjusted based upon current market rentals; however, the rent can never be decreased. The lease also requires the Center to pay utilities, repairs and maintenance expenses on a proportionate basis. The lease expires on June 30, 2111. Rental expense was \$30,000 for the years ended June 30, 2020 and 2019.

The Center participates in various insurance programs sponsored by the Diocese for all Diocesan entities. The Center incurred the following expenses for these programs for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Health, dental and vision insurance	\$ 216,326	\$ 197,959
Life and disability insurance	5,451	6,446
Workers compensation	4,428	5,376
Property, casualty and liability insurance	<u>19,607</u>	<u>15,836</u>
	<u>\$ 245,812</u>	<u>\$ 225,617</u>

In addition, the Center's employees are employees of the Diocese. The Diocese processes and funds the Center's payroll and receives reimbursement for payroll from the Center on a routine and recurring basis. In April 2020, the Diocese received a loan from a Bank under the Payroll Protection Program ("PPP"). The Center received a portion of the PPP loan funds from the Diocese based on payroll expenses of the Center. The PPP loan has the ability to be forgiven if certain expenditures are incurred. As of June 30, 2020 no forgiveness has been recognized. The following amounts are due to the Diocese for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Payroll Services	\$ 103,700	\$ 99,217
Paycheck protection loan	<u>174,956</u>	<u>-</u>
	<u>\$ 278,656</u>	<u>\$ 99,217</u>

St. Catherine Center for Special Needs Inc.

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17. Subsequent Events

The Center's operations and financial performance may be affected by the recent coronavirus outbreak which has spread globally and is expected to adversely affect economic conditions throughout the world. If the outbreak continues and conditions worsen, the Center may experience a disruption in operations as well as a decline in support and revenues.

In August 2020, the Center received a \$1.2 million contribution for the purpose of the Center's planned expansion project.

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