

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

Financial Statements and State Single
Audit Schedules
Together With Independent Auditors' Reports

June 30, 2021 and 2020

St. Catherine Center for Special Needs Inc.

Financial Statements and State Single Audit Schedules
Together With Independent Auditors' Reports
June 30, 2021

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Independent Auditors' Report

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

Report on the Financial Statements

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, 2021 and 2020, 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 the Center as of June 30, 2021 and 2020, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of state financial assistance as required by the State Single Audit Act is presented for purposes of additional analysis 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 information 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 November 9, 2021 on our consideration of the Center'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 the Center's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

November 9, 2021

St. Catherine Center for Special Needs Inc.

Statements of Financial Position

	June 30,	
	2021	2020
ASSETS		
Cash and cash equivalents	\$ 2,457,351	\$ 1,675,912
Tuition and fees receivable, net	158,608	81,852
Pledges receivable, net	2,397,851	-
Prepaid expenses	26,883	24,481
Investments	3,835,291	2,215,186
Property and equipment, net	<u>1,501,564</u>	<u>1,579,671</u>
	<u><u>\$ 10,377,548</u></u>	<u><u>\$ 5,577,102</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 84,542	\$ 83,160
Deferred revenue	500	8,100
Due to The Bridgeport Roman Catholic Diocesan Corporation	<u>385,234</u>	<u>278,656</u>
Total Liabilities	<u><u>470,276</u></u>	<u><u>369,916</u></u>
Net Assets		
Without donor restrictions		
Undesignated	3,717,774	3,216,754
Property and equipment	<u>1,501,564</u>	<u>1,579,671</u>
Total without donor restrictions	<u><u>5,219,338</u></u>	<u><u>4,796,425</u></u>
With donor restrictions		
Total Net Assets	<u><u>4,687,934</u></u>	<u><u>410,761</u></u>
	<u><u>9,907,272</u></u>	<u><u>5,207,186</u></u>
	<u><u>\$ 10,377,548</u></u>	<u><u>\$ 5,577,102</u></u>

St. Catherine Center for Special Needs Inc.

Statements of Activities

	Year Ended June 30, 2021			Year Ended June 30, 2020		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
REVENUE AND SUPPORT						
Tuition and fees	\$ 1,197,946	\$ -	\$ 1,197,946	\$ 924,238	\$ -	\$ 924,238
Financial aid	(131,100)	-	(131,100)	(159,800)	-	(159,800)
Net Tuition and Fees	1,066,846	-	1,066,846	764,438	-	764,438
Adult program fees	920,899	-	920,899	903,862	-	903,862
Contributions and grants	573,576	4,298,691	4,872,267	519,525	48,297	567,822
Fundraising events, net of direct expenses	7,600	-	7,600	-	-	-
Investment return, net	330,552	10,348	340,900	58,539	1,623	60,162
Net assets released from restrictions	31,866	(31,866)	-	96,940	(96,940)	-
Total Revenue and Support	2,931,339	4,277,173	7,208,512	2,343,304	(47,020)	2,296,284
EXPENSES						
Program services	2,026,878	-	2,026,878	1,914,619	-	1,914,619
Management and general	253,974	-	253,974	240,605	-	240,605
Development and fundraising	119,197	-	119,197	33,969	-	33,969
Total Expenses Before Depreciation and Amortization	2,400,049	-	2,400,049	2,189,193	-	2,189,193
Depreciation and amortization	108,377	-	108,377	118,939	-	118,939
Total Expenses	2,508,426	-	2,508,426	2,308,132	-	2,308,132
Change in Net Assets	422,913	4,277,173	4,700,086	35,172	(47,020)	(11,848)
NET ASSETS						
Beginning of year	4,796,425	410,761	5,207,186	4,761,253	457,781	5,219,034
End of year	\$ 5,219,338	\$ 4,687,934	\$ 9,907,272	\$ 4,796,425	\$ 410,761	\$ 5,207,186

See notes to financial statements

St. Catherine Center for Special Needs Inc.

Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services			Management	Development	Total
	St. Catherine's Academy	Adult Day Program	Total	and General	and Fundraising	
Personnel costs						
Salaries	\$ 573,413	\$ 669,574	\$1,242,987	\$ 160,918	\$ 40,373	\$1,444,278
Payroll taxes and benefits	226,752	181,439	408,191	56,524	11,877	476,592
Total Personnel Costs	800,165	851,013	1,651,178	217,442	52,250	1,920,870
Professional therapy services	140,181	-	140,181	-	-	140,181
Maintenance and repair	37,745	38,618	76,363	2,757	1,445	80,565
Professional fees	6,285	852	7,137	26,912	43,904	77,953
Rent	14,250	15,000	29,250	750	-	30,000
Program activities	10,276	14,627	24,903	-	-	24,903
Utilities	10,589	11,147	21,736	557	-	22,293
Textbooks, publications and supplies	9,099	8,709	17,808	671	1,926	20,405
Insurance	6,231	13,737	19,968	328	-	20,296
Printing and postage	2,810	2,422	5,232	1,332	13,339	19,903
Other	5,355	9,227	14,582	2,919	1,943	19,444
Transportation	4,132	12,218	16,350	-	-	16,350
Bank and other charges	-	-	-	-	4,390	4,390
Food and beverage	1,245	945	2,190	306	-	2,496
Total Expenses Before Depreciation and Amortization	1,048,363	978,515	2,026,878	253,974	119,197	2,400,049
Depreciation and amortization	51,479	54,189	105,668	2,709	-	108,377
Total Expenses	\$1,099,842	\$1,032,704	\$2,132,546	\$ 256,683	\$ 119,197	\$2,508,426

See notes to financial statements

St. Catherine Center for Special Needs Inc.

Statement of Functional Expenses
Year Ended June 30, 2020

	Program Services				Management Development		
	St. Catherine's Academy	Adult Day Program	Other Programs	Total	and General	and Fundraising	Total
Personnel costs							
Salaries	\$ 516,824	\$ 650,923	\$ 20,992	\$ 1,188,739	\$ 149,057	\$ 13,971	\$ 1,351,767
Payroll taxes and benefits	193,025	163,224	7,911	364,160	48,379	4,791	417,330
Total Personnel Costs	709,849	814,147	28,903	1,552,899	197,436	18,762	1,769,097
Professional therapy services	89,349	-	-	89,349	-	-	89,349
Maintenance and repair	43,166	37,112	7,162	87,440	3,403	1,427	92,270
Professional fees	1,395	10,973	23	12,391	28,533	39	40,963
Program activities	11,314	14,359	80	25,753	-	-	25,753
Rent	14,250	12,000	2,850	29,100	900	-	30,000
Utilities	10,262	8,642	2,052	20,956	648	-	21,604
Transportation	7,625	19,373	-	26,998	-	-	26,998
Textbooks, publications and supplies	8,586	7,448	1,095	17,129	529	2,074	19,732
Other	8,181	3,756	1,870	13,807	3,868	2,491	20,166
Insurance	6,098	12,745	550	19,393	350	-	19,743
Printing and postage	10,539	3,623	1,141	15,303	2,552	7,696	25,551
Bank and other charges	776	-	128	904	1,081	1,404	3,389
Food and beverage	2,139	560	498	3,197	1,305	76	4,578
Total Expenses Before Depreciation and Amortization	923,529	944,738	46,352	1,914,619	240,605	33,969	2,189,193
Depreciation and amortization expense	67,795	41,628	5,650	115,073	3,866	-	118,939
Total Expenses	\$ 991,324	\$ 986,366	\$ 52,002	\$ 2,029,692	\$ 244,471	\$ 33,969	\$ 2,308,132

See notes to financial statements

St. Catherine Center for Special Needs Inc.

Statements of Cash Flows

	Year Ended June 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,700,086	\$ (11,848)
Adjustments to reconcile change in net assets		
to net cash from operating activities		
Unrealized (gain) loss on investments	(276,558)	1,765
Depreciation and amortization	108,377	118,939
Provision for bad debts	-	(9,700)
Discount on pledge receivables	31,314	-
Changes in operating assets and liabilities		
Tuition and fees receivable	(76,756)	213,739
Grants and other receivables	(2,429,165)	39,500
Prepaid expenses	(2,402)	(4,056)
Accounts payable and accrued expenses	1,382	27,093
Deferred revenue	(7,600)	4,300
Due to The Bridgeport Roman Catholic Diocesan Corporation	<u>5,895</u>	<u>4,483</u>
Net Cash from Operating Activities	<u>2,054,573</u>	<u>384,215</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,281,025)	-
Acquisitions of property and equipment	(30,270)	(16,850)
Interest and dividend income reinvested	(62,522)	(56,844)
Net Cash from Investing Activities	<u>(1,373,817)</u>	<u>(73,694)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from The Bridgeport Roman Catholic Diocesan Corporation	<u>100,683</u>	<u>174,956</u>
Change in cash and cash equivalents	781,439	485,477
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>1,675,912</u>	<u>1,190,435</u>
End of year	<u>\$2,457,351</u>	<u>\$1,675,912</u>

See notes to financial statements

St. Catherine Center for Special Needs Inc.

Notes to Financial Statements June 30, 2021 and 2020

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 18 and 14 students (authorized to serve up to 28 students) for the years ended June 30, 2021 and 2020. The Center Adult Day Program, established in 2015, served 25 adults for the years ended June 30, 2021 and 2020.

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”).

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.

St. Catherine Center for Special Needs Inc.

Notes to Financial Statements
June 30, 2021 and 2020

2. Summary of Significant Accounting Policies (*continued*)

Cash and Cash Equivalents

Cash and cash equivalents are defined as highly liquid investments with 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.

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. 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. See Note 7 for a discussion of fair value measurements.

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

Tuition and program fees

The Center follows U.S. GAAP revenue recognition, which provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Revenue is recognized in the period in which it satisfies its performance obligation. Revenue from tuition and fees and adult program fees, which are determined based on standard published rates, less financial aid awarded by the Center, represents the Center's primary source of revenue. Tuition received in advance for the ensuing year is reflected as deferred income. Accordingly, tuition and fees received for the next year are deferred until the next fiscal year commences.

St. Catherine Center for Special Needs Inc.

Notes to Financial Statements June 30, 2021 and 2020

2. Summary of Significant Accounting Policies (*continued*)

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.

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.

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 personnel costs, maintenance and repair, professional fees, rent, utilities, insurance, printing and postage 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. The Center is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to June 30, 2018.

St. Catherine Center for Special Needs Inc.

Notes to Financial Statements June 30, 2021 and 2020

2. Summary of Significant Accounting Policies (*continued*)

Subsequent Events

In preparing these financial statements, management has evaluated subsequent events through November 9, 2021, which represents the date the financial statements were available to be issued.

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:

	2021	2020
Cash and cash equivalents	\$ 2,457,351	\$ 1,675,912
Tuition and fees receivable, net	158,608	81,852
Pledges receivable, net	2,397,851	-
Investments	<u>3,835,291</u>	<u>2,215,186</u>
Total Financial Assets Available		
Within One Year	<u>8,849,101</u>	<u>3,972,950</u>
Less amounts unavailable for general expenditures within one year due to		
Restricted by donors as to use	4,137,934	360,761
Restricted by donors - to be held in perpetuity	<u>550,000</u>	<u>50,000</u>
	<u>4,687,934</u>	<u>410,761</u>
Total Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 4,161,167</u>	<u>\$ 3,562,189</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.

St. Catherine Center for Special Needs Inc.

Notes to Financial Statements June 30, 2021 and 2020

4. Concentrations

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

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, 2021, the uninsured balance is approximately \$1,442,000. The Center has not experienced any loss in such accounts and management believes that the Center's deposits are not subject to significant credit risk.

Investments - The Center's investments are comprised of various mutual funds that invest in equities and fixed income securities. These mutual 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.

Pledges Receivable - One donor pledge comprises fifty percent of the pledges receivable balance. The Center believes this is not subject to significant credit risk as payments have been received subsequent to year-end.

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 \$920,899 and \$903,862 for the years ended June 30, 2021 and 2020.

5. Tuition and Fees Receivable

Tuition and fees receivable are shown net of estimated uncollectible balances of \$9,665 as of June 30, 2021 and 2020.

6. Pledges Receivable

Pledges receivable consist of the following at June 30, 2021:

	Due in 1 Year	Due in 2-5 Years	Total
Capital campaign pledges receivable	\$ 1,079,700	\$ 1,128,008	\$ 2,207,708
Other contribution receivables	<u>221,457</u>	-	<u>221,457</u>
	1,301,157	1,128,008	2,429,165
Less:			
Discount to net present value	-	(31,314)	(31,314)
Net pledges receivable	<u>\$ 1,301,157</u>	<u>\$ 1,096,694</u>	<u>\$ 2,397,851</u>

Pledges have been discounted at the treasury rate of 2.18%. The capital campaign pledges receivable are restricted in use for costs and expenses of an expansion project.

St. Catherine Center for Special Needs Inc.

Notes to Financial Statements June 30, 2021 and 2020

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.

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, 2021 and 2020.

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:

	2021	2020
Level 1 Inputs		
Bond funds	\$ 2,806,449	\$ 1,491,461
Equities	<u>1,028,842</u>	<u>723,725</u>
	<u>\$ 3,835,291</u>	<u>\$ 2,215,186</u>

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

	2021	2020
Dividends and capital gains on investments	\$ 62,522	\$ 56,844
Interest on cash equivalents	1,820	5,083
Unrealized gain (loss)	<u>276,558</u>	<u>(1,765)</u>
	<u>\$ 340,900</u>	<u>\$ 60,162</u>

St. Catherine Center for Special Needs Inc.

Notes to Financial Statements June 30, 2021 and 2020

8. Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Leasehold improvements	\$ 2,261,979	\$ 2,255,054
Furniture and fixtures	40,558	45,338
Computers	36,135	31,114
Vehicles	267,334	267,334
Other equipment	<u>33,919</u>	<u>44,928</u>
	2,639,925	2,643,768
Accumulated depreciation and amortization	<u>(1,138,361)</u>	<u>(1,064,097)</u>
	<u>\$ 1,501,564</u>	<u>\$ 1,579,671</u>

9. Net Assets With Donor Restrictions

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

Purpose	<u>2021</u>	<u>2020</u>
Building Project	\$ 3,702,844	\$ -
Capital improvements	166,799	173,724
Social enterprise and vocational	139,873	129,873
Technology and vehicle purchase	57,909	14,126
Scholarships	1,600	1,200
Adult program	61,133	35,046
Others	3,042	2,943
Accumulated income on donor-restricted endowment assets restricted until appropriated	4,734	3,849
To be held in perpetuity	<u>550,000</u>	<u>50,000</u>
	<u>\$ 4,687,934</u>	<u>\$ 410,761</u>

St. Catherine Center for Special Needs Inc.

Notes to Financial Statements June 30, 2021 and 2020

9. Net Assets With Donor Restrictions (continued)

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

	<u>2021</u>	<u>2020</u>
Purpose restriction		
Adult program	\$ 19,087	\$ 10,210
Technology	2,253	11,944
Art therapy program	1,433	5,000
Scholarships	1,200	800
Vehicle purchases	-	10,000
Capital improvement	6,925	37,956
Other	968	30
Time restriction	-	21,000
	<u>\$ 31,866</u>	<u>\$ 96,940</u>

10. 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

St. Catherine Center for Special Needs Inc.

Notes to Financial Statements June 30, 2021 and 2020

10. Endowment (continued)

The Center's donor-restricted endowments as of June 30 are as follows:

	<u>2021</u>	<u>2020</u>
Balance, beginning	\$ 53,849	\$ 52,226
Contributions	500,000	-
Interest income	<u>885</u>	<u>1,623</u>
Balance, ending	<u>\$ 554,734</u>	<u>\$ 53,849</u>

11. Donated Services

Included in contributions and grants are approximately \$0 and \$4,450 of contributed professional services for the years ended June 30, 2021 and 2020. These amounts are included in program services expense as salaries in the statements of functional expenses.

12. 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 Center 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 Center's required contributions were \$12,947 and \$12,792 for the years ended June 30, 2021 and 2020, and are expected to be approximately \$12,900 for the year ending June 30, 2022.

At June 30, 2020, the date of the most recent valuation, the Lay Plan's projected benefit obligation exceeded the fair value of its assets by approximately \$99.8 million (unaudited).

St. Catherine Center for Special Needs Inc.

Notes to Financial Statements June 30, 2021 and 2020

13. 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 \$41,560 and \$39,983 for the years ended June 30, 2021 and 2020.

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.

14. State of Connecticut Department of Developmental Services Bridge Funding

During the fiscal year ended June 30, 2021, the Center received additional \$6,155 (total of \$70,366 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 \$95,087 resulting in net receivable of \$24,721 and \$86,929 at June 30, 2021 and 2020. This amount is included in tuition and fees receivable, net.

15. Related Party Transactions

In July 2012, the Center entered into a long-term lease agreement for the space with Holy Cross Church, which was amended in January 2018. The annual base rent is \$30,000. On March 1, 2021 a second amendment was signed which will be effective as of the issuance of a certificate of occupancy for the expansion portion of the existing building which will occur in 2022. The annual rent will be \$45,600 per year with adjustments of 1.1% for the remaining ten years. The lease also requires the Center to pay utilities, repairs and maintenance expenses on a proportionate basis. The lease expires on June 30, 2032. Rental expense was \$30,000 for the years ended June 30, 2021 and 2020. Future minimum lease payments are as follows as of June 30, 2021:

2022	\$ 45,600
2023	45,600
2024	45,600
2025	45,600
2026	45,600
Thereafter	<u>4,061,288</u>
	<u>\$ 4,289,288</u>

St. Catherine Center for Special Needs Inc.

Notes to Financial Statements June 30, 2021 and 2020

15. Related Party Transactions (continued)

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:

	2021	2020
Health, dental and vision insurance	\$ 270,197	\$ 216,326
Life and disability insurance	5,695	5,451
Workers compensation	3,552	4,428
Property, casualty and liability insurance	<u>20,296</u>	<u>19,607</u>
	<u>\$ 299,740</u>	<u>\$ 245,812</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, 2021 no forgiveness has been recognized. The following amounts are due to the Diocese for the years ended June 30:

	2021	2020
Payroll services	\$ 109,595	\$ 103,700
Paycheck Protection Program loan	<u>275,639</u>	<u>174,956</u>
	<u>\$ 385,234</u>	<u>\$ 278,656</u>

On October 19 2021, the Center received notification that the full amount of the PPP loan was forgiven by the Diocese.

16. Risks and Uncertainties

The Center's financial position, operations, cash flows and financial performance may be affected by the ongoing coronavirus pandemic. If the outbreak continues and conditions worsen, the Center may experience a disruption in operations as well as a decline in support and revenues. Management cannot estimate the impact at this time.

17. Subsequent Events

Subsequent to year-end, the Center began construction to expand and renovate its current space, which will double its footprint. Total costs are projected to be \$3,000,000 and expected to be funded by the capital campaign.

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

State Single Audit Schedules

June 30, 2021

St. Catherine Center for Special Needs Inc.

Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2021

State Grantor/Pass-Through Grantor Program Title	State Grant Program Core-CT Number	Passed Through to Sub Recipients	Total Expenditures
<u>Department of Developmental Service</u>			
Day Support Options	11000-DDS500100-16108	\$ _____ -	\$ 920,899 *
Total Expenditures of State Financial Assistance		\$ _____ -	\$ 920,899

* Includes \$221,612 of State COVID-19 Financial Stability Payments

See notes to schedule of expenditures of state financial assistance and independent auditors' report

St. Catherine Center for Special Needs Inc.

Notes to Schedule of Expenditures of State Financial Assistance Year Ended June 30, 2021

1. Basis of Presentation

The accompanying schedule of expenditures of state financial assistance includes state grant activity of St. Catherine Center for Special Needs Inc. (the “Center”) for the year ended June 30, 2021.

The information in the Schedule of Expenditures of State Financial Assistance is presented based on regulations established by the State of Connecticut, Office of Policy and Management.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accounting policies of the Center conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations.

The expenditures reported on the Schedule of Expenditures of State Financial Assistance are reported on the accrual basis of accounting. In accordance with Section 4-236-22 of the Regulations of the State Single Audit Act, certain grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule of Expenditures of State Financial Assistance.

3. Subrecipients

The Center did not provide state assistance to subrecipients for the year ended June 30, 2021.

**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**

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of St. Catherine Center for Special Needs Inc. (the "Center"), which comprise the statement of financial position as of June 30, 2021, 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 November 9, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered St. Catherine Center for Special Needs Inc.'s internal control over financial reporting ("internal control") to determine the 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 St. Catherine Center for Special Needs Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Center's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether St. Catherine Center for Special Needs Inc.'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 determination of financial statement amounts. 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*.

Board of Directors
St. Catherine Center for Special Needs Inc.
Page 2

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

PKF O'Connor Davies, LLP

November 9, 2021



**Report on Compliance for Each Major State Program;
Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of
State Financial Assistance Required by the State Single Audit Act**

Independent Auditors' Report

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

Report on Compliance for Each Major State Program

We have audited St. Catherine Center for Special Needs Inc.'s compliance with the types of compliance requirements described in the Office of Policy and Management *Compliance Supplement* that could have a direct and material effect on each of St. Catherine Center for Special Needs Inc.'s major state programs for the year ended June 30, 2021. St. Catherine Center for Special Needs Inc.'s major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of St. Catherine Center for Special Needs Inc.'s major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about St. Catherine Center for Special Needs Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of St. Catherine Center for Special Needs Inc.'s compliance.

Opinion on Each Major State Program

In our opinion, St. Catherine Center for Special Needs Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of St. Catherine Center for Special Needs Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered St. Catherine Center for Special Needs Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of St. Catherine Center for Special Needs Inc.'s 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 state program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state 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 state 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 State Single Audit Act. Accordingly, this report is not suitable for any other purpose.

PKF O'Connor Davies, LLP

November 9, 2021

St. Catherine Center for Special Needs Inc.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

I. Summary of Auditors' Results

Financial Statements

Type of auditors' opinion issued	Unmodified		
Internal control over financial reporting:			
Material weakness (es) identified?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/> X no
Significant deficiency (ies) identified?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/> X none reported
Noncompliance material to financial statements noted?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/> X no

State Financial Assistance

Internal control over major state programs:			
Material weakness (es) identified?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/> X no
Significant deficiency (ies) identified?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/> X none reported

Type of auditors' report issued on compliance for major state programs:	Unmodified		
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Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the regulations to the State Single Audit Act?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/> X No
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The following schedule reflects the major programs included in the audit:

State Grantor/Pass-Through Grantor Program Title	State Grant Program Core-CT Number	Passed Through to Sub Recipients	Total Expenditures
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Department of Developmental Service

Day Support Options	11000-DDS500100-16108	\$ <u> </u> - \$ <u> </u>	920,899 *
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Dollar threshold used to distinguish between type A and type B programs

\$ 100,000

St. Catherine Center for Special Needs Inc.

Schedule of Findings and Questioned Costs (*continued*)
Year Ended June 30, 2021

II. Financial Statement Findings

During our audit, we noted no material findings for the year ended June 30, 2021.

III. State Financial Assistance Findings and Questioned Costs

No findings or questioned costs are reported relating to State financial assistance programs.

IV. Prior Year Financial Statement Findings

There were no prior year findings.