

CATHEDRAL SQUARE CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2022

CATHEDRAL SQUARE CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2022

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Cathedral Square Corporation

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of Cathedral Square Corporation (a nonprofit organization), which comprise the consolidated statement of financial position as of September 30, 2022, and the related consolidated statements of activities and changes in net assets, 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 not having consolidated all of the related party entities in the financial statements 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 Cathedral Square Corporation as of September 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

As more fully described in Note 19 to the financial statements, the Organization has not consolidated all of the related party entities in the financial statements. In our opinion, accounting principles generally accepted in the United States of America require that all related party entities be consolidated. The effects on the accompanying financial statements of the failure to consolidate all related party entities have been determined.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Cathedral Square Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Cathedral Square Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for 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 generally accepted 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 generally accepted 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 Cathedral Square Corporation'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 Cathedral Square Corporation'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 audits 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 21, 2023 on our consideration of Cathedral Square Corporation'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 Cathedral Square Corporation'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 Cathedral Square Corporation's internal control over financial reporting and compliance.



Certified Public Accountants

February 21, 2023
South Portland, Maine
Employer Identification No: 20-3690847
Engagement Partner: Scott Blakeslee

CATHEDRAL SQUARE CORPORATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

September 30, 2022

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 5,317,420
Accounts Receivable	657,236
Accounts Receivable - Related Parties (Note 9)	569,160
Grants Receivable	414,377
Prepaid Expenses	85,124
	7,043,317
Total Current Assets	7,043,317

OTHER ASSETS

Restricted Escrow Accounts (Note 6)	1,571,486
Tenant Security Deposits	132,032
Notes Receivable (Note 2)	107,804
Equity Investments (Note 13)	4,912,607
Development Projects (Note 14)	795,481
	7,519,410
Total Other Assets	7,519,410

PROPERTY AND EQUIPMENT (Note 3)

Land and Improvements	1,014,966
Buildings and Improvements	14,771,108
Furniture, Fixtures and Equipment	527,528
Construction in Process	82,841
	16,396,443
Total	16,396,443
Less Accumulated Depreciation	(4,115,597)
	12,280,846

NET PROPERTY AND EQUIPMENT

ENDOWMENT (Note 10)

930,707

INVESTMENT (Note 11)

427,922

TOTAL ASSETS

\$ 28,202,202

See accompanying notes to the financial statements.

CATHEDRAL SQUARE CORPORATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Continued)

September 30, 2022

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts Payable	\$ 167,148
Fundraising Payable (Note 14)	87,500
Accrued Interest Payable	19,236
Other Accrued Liabilities	931,228
Deferred Revenue	85,029
Current Portion of Long-term Debt	<u>124,600</u>
Total Current Liabilities	<u>1,414,741</u>
DEPOSIT LIABILITIES	
Tenant Security Deposit and Interest	131,786
Resident Service Deposits	<u>14,136</u>
Total Deposit Liabilities	<u>145,922</u>
LONG-TERM DEBT	
Notes Payable, Net of Current Portion (Notes 3 and 16)	10,165,898
Less Deferred Loan Fees	(59,771)
Deferred Interest Payable (Note 4)	<u>3,405,393</u>
Total Long-term Debt	<u>13,511,520</u>
TOTAL LIABILITIES	<u>15,072,183</u>
NET ASSETS	
Net Assets Without Donor Restrictions	12,093,796
Net Assets With Donor Restrictions (Note 10)	<u>1,036,223</u>
TOTAL NET ASSETS	<u>13,130,019</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 28,202,202</u></u>

See accompanying notes to the financial statements.

CATHEDRAL SQUARE CORPORATION

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended September 30, 2022

REVENUES	
Rental Revenue	\$ 2,410,086
State and Federal Assistance	1,819,280
Donations	708,272
Management and Related Service Fees (Note 9)	4,167,510
Development Fees (Note 9)	879,625
Client Fees	664,239
Grant Income	4,454,347
Investment Income/(Loss)	(204,234)
Interest Income	11,156
Other Income	337,108
	<hr/>
TOTAL REVENUES	15,247,389
EXPENSES	
Program Services	12,154,832
Management and General	1,701,924
Fundraising	54,045
	<hr/>
TOTAL EXPENSES	13,910,801
INCREASE IN NET ASSETS	1,336,588
NET ASSETS, Beginning of Year	11,793,431
	<hr/>
NET ASSETS, End of Year	\$ 13,130,019
	<hr/> <hr/>

CHANGES IN NET ASSETS BY RESTRICTION TYPE

CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	
NET ASSETS WITHOUT DONOR RESTRICTIONS, BEGINNING OF YEAR	\$ 10,400,254
Total Support and Revenue	15,433,143
Total Operating Expenses	(13,910,801)
	<hr/>
NET ASSETS WITHOUT DONOR RESTRICTIONS, END OF YEAR	\$ 12,093,796
	<hr/> <hr/>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS	
NET ASSETS, WITH DONOR RESTRICTIONS, BEGINNING OF YEAR	\$ 1,393,177
Total Support and Revenue	(185,754)
Net Assets Released from Restriction	(171,200)
	<hr/>
NET ASSETS WITH DONOR RESTRICTIONS, END OF YEAR	\$ 1,036,223
	<hr/> <hr/>

See accompanying notes to the financial statements.

CATHEDRAL SQUARE CORPORATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended September 30, 2022

	Program Services				Supportive Services		Total
	Property Management	Development	SASH	Assisted Living	Management and General	Fundraising	
Payroll Costs and Benefits	\$ 3,642,179	\$ 304,738	\$ 2,213,482	\$ 2,210,030	\$ 1,174,422	\$ 44,404	\$ 9,589,255
Agency Call Out	-	-	-	274,076	-	-	274,076
Utilities	324,760	-	-	-	-	-	324,760
Repairs and Property Maintenance	358,261	-	-	-	-	-	358,261
Equipment and Supplies	62,984	-	12,186	51,719	-	-	126,889
Administrative	71,066	-	-	7,436	167,789	-	246,291
Employee Acquisition and Training	-	-	18,863	134	26,242	-	45,239
Marketing	2,904	-	-	-	3,497	9,641	16,042
Travel	-	-	10,209	788	11,412	-	22,409
Professional Fees	36,244	-	8,650	4,390	34,579	-	83,863
Rent	-	-	-	-	36,000	-	36,000
Vehicle	-	-	-	-	1,998	-	1,998
Resident Services	16,058	-	-	2,613	-	-	18,671
Food Services	-	-	-	160,860	-	-	160,860
Grant Expenditures	-	-	1,073,591	-	-	-	1,073,591
Nursing Services	-	-	79,533	-	-	-	79,533
Bad Debts	7,268	-	-	-	-	-	7,268
Contributions	-	-	-	-	3,760	-	3,760
Investment Expenses	-	-	-	-	8,552	-	8,552
Interest	265,363	-	-	-	-	-	265,363
Taxes and Insurance	364,275	-	-	-	-	-	364,275
Depreciation	448,754	-	-	-	3,932	-	452,686
Miscellaneous	-	78,028	26,393	16,997	229,741	-	351,159
Total Expenses	<u>\$ 5,600,116</u>	<u>\$ 382,766</u>	<u>\$ 3,442,907</u>	<u>\$ 2,729,043</u>	<u>\$ 1,701,924</u>	<u>\$ 54,045</u>	<u>\$ 13,910,801</u>

See accompanying notes to the financial statements.

CATHEDRAL SQUARE CORPORATION

STATEMENT OF CASH FLOWS

For the Year Ended September 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in Net Assets	\$ 1,336,588
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities	
Depreciation	452,686
Amortization of Debt Issuance Costs	6,316
Unrealized Loss on Endowment Investments	329,822
Unrealized Gain on Investments	(422,583)
Change in Operating Assets and Liabilities	
Accounts Receivable	(449,073)
Accounts Receivable - Related Parties	(333,210)
Grants Receivable	(255,740)
Prepaid Expenses	57,680
Inventory	9,856
Notes Receivable	40,000
Accounts Payable	(29,230)
Accounts Payable - Development	(175,000)
Resident Service Deposits	(1,967)
Deferred Revenue	74,064
Accrued Interest Payable	(475)
Accrued Expenses	135,101
Tenant Security Deposits	(552)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>774,283</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Equity Investments	(298,225)
Net Expenditures of Project Development Costs	(398,475)
Realized Gains on the Sale of Endowment Investments	(130,286)
Realized Loss on the Sale of Investments	702
Fees Paid from Endowment Investments	6,876
Fees Paid from Investments	1,676
Net Sales of Endowment Investments	(11,628)
Net Sales of Investments	(4,011)
Interest and Dividends from Endowment Investments	(13,779)
Interest and Dividends from Investments	(3,706)
Purchases of Property and Equipment	(244,590)
Cash and Reserves Assumed at Whitcomb Terrace Acquisition	431,591
NET CASH USED BY INVESTING ACTIVITIES	<u>(663,855)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal Payments of Long-term Debt	(900,369)
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>(900,369)</u>
NET DECREASE IN CASH	(789,941)
CASH AT BEGINNING OF YEAR	<u>7,810,879</u>
CASH AT END OF YEAR	<u>\$ 7,020,938</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash Paid During the Year for:	
Interest	<u>\$ 263,157</u>
Non-Cash Investing and Financing Transactions:	
Property and Equipment Funded by Accounts Payable	<u>\$ 12,191</u>
Noncash Acquisition of Property and Equipment	<u>\$ 1,584,125</u>
Noncash Acquisition of Notes Payable and Deferred Interest	<u>\$ 2,006,316</u>

See accompanying notes to the financial statements.

CATHEDRAL SQUARE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities - Cathedral Square Corporation (CSC) is a non-profit Corporation organized for the purpose of providing housing and support services to the elderly, disabled and persons with other special needs.

Basis of Consolidation - The consolidated financial statements include the accounts of CSC which consists of four programs: Management, Development, Support and Services at Home (SASH), and Assisted Living. Included in Management are several housing projects: Memory Care at Allen Brook, Heineberg Senior Housing, Whitcomb Terrace, Ruggles House and CSC McAuley. The statements also include CSC Partners Inc., a wholly owned subsidiary of CSC.

Management - CSC provides management services on a contractual basis. These services include leasing, accounting, management, maintenance, and assistance with compliance with regulatory agreements. In addition, Management provides services to entities that are independent of CSC. These services consist of management and maintenance of housing projects along with other special assistance designed to improve the quality of life of the residents of the projects.

Housing Projects

Heineberg Senior Housing - An 82-unit housing project for low-income residents.

Whitcomb Terrace - A 19-unit housing project for elderly low-income residents; acquired on October 1, 2021.

Ruggles House - A 15-unit housing project for elderly low-income residents.

CSC McAuley - A 75-unit housing project for elderly low-income residents.

Development - CSC develops and assists in redevelopment of various properties.

SASH - SASH is a caring partnership connecting statewide health and long term care systems to nonprofit affordable housing providers. The program is part of the Blueprint for Health, Vermont's health care reform initiative. The program helps Vermont's most vulnerable citizens, seniors and individuals with special needs, obtain access to care and support services they need to stay healthy while living comfortably and safely at home.

Assisted Living Operations – Assisted living operations consist of the Assisted Living Residence at Cathedral Square Senior Living consisting of 31 units within the 108 unit building located at 3 Cathedral Square, Burlington, Vermont, and Memory Care at Allen Brook, a 14-unit housing project for tenants with dementia. Personal care services are available 24 hours a day and three meals per day are provided.

CATHEDRAL SQUARE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Method of Accounting - The financial statements of the Corporation are prepared on the accrual basis of accounting.

Intercompany Transactions - All significant intercompany transactions and balances are eliminated in consolidation.

Income Taxes - No provision for taxes on income is made in the Corporation's financial statements since, as a not-for-profit corporation, it is exempt from income taxes under Internal Revenue Code 501(c)(3).

In accordance with accounting principles generally accepted in the United States of America, management has evaluated its exposure to material tax positions and determined that there are no such tax positions requiring accounting recognition. Informational returns filed by the Corporation are subject to examination by the Internal Revenue Service for a period of three years. While no informational returns are currently being examined by the Internal Revenue Service, the three previous tax years remain open. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

Housing Subsidy Covenants - Several of the consolidated entities have entered into housing subsidy covenants with Vermont Housing and Conservation Board (VHCB), as a condition of loans made by VHCB. Pursuant to these covenants, tenants' incomes must fall within certain affordability guidelines.

Cash - For the purposes of reporting cash flows, cash, cash equivalents and restricted cash includes cash on hand and amounts due from banks.

Receivables - Grants Receivable are recorded based on a cost reimbursement basis. Cathedral Square Corporation (CSC) bills grant providers on a quarterly basis. No allowance for the valuation of the receivables has been recorded since all amounts have been deemed collectible.

Included in Accounts Receivable are amounts due from managed properties for management and development services and are recorded at net realizable value. No allowance for the valuation of the receivables has been recorded since all amounts have been deemed collectible.

Notes Receivable - Notes receivable are reported at their outstanding principal balances. As described in Note 2, repayment of these notes is dependent on cash flows. Cathedral Square Corporation owns a general partnership interest in the entity.

CATHEDRAL SQUARE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Revenue Recognition - The Corporation recognizes gifts of cash and other assets as revenue without donor restrictions unless they are received with donor restrictions. Gifts with restrictions are reported as revenue with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

CSC recognizes net rental revenue in the period in which the rent is earned. Residential leases are for periods of up to one year and commercial leases are for periods of up to three years, with rent and associated payments due monthly. Payments collected in advance are deferred until the rental income is earned. Other revenue can include fees for late payment, damages, laundry, concessions, and other charges and is recorded when earned.

Tenant Receivables and Bad Debt - Tenant receivables are reported at the amount of principal outstanding. Tenant rent charges for the current month are due on the first of the month. Tenants who are evicted or move out are charged with damages or cleaning fees, if applicable. Tenant receivables consist of amounts due for rental income, charges for damages and cleaning fees. The Corporation does not accrue interest on the tenant receivable balances.

Receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Contributions - Contributions are recognized when the donor makes a promise to give to CSC that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contribution is recognized. All other donor-restricted contributions are reported as increases in restricted net assets depending on the nature of the restrictions. When a restriction expires, restricted net assets are reclassified as unrestricted net assets.

Fixed Income Securities - Fixed Income Securities consist of mutual funds and are carried at Fair Value.

CATHEDRAL SQUARE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Development Fee Income - CSC provides development services on a contractual basis for the owners of low income rental housing. These services include assisting in the structuring of building acquisition, assisting in the execution of agreements with contractors, the acquisition of financing, term negotiations, the establishment of administrative and financial controls for the design and construction of the project, progress monitoring, and other tasks essential to the development of a housing project. The development services provided in the construction or rehabilitation of a housing project are highly interrelated and are considered a single performance obligation.

Development fees earned are paid from the project's equity and debt proceeds at various points during the construction of the project. The fees are recognized and the performance obligations are satisfied over the development period beginning when the project is assured of being constructed, as evidenced by the admission of an equity partner, as units are delivered or based on the external construction costs incurred as a percentage of the total external construction costs expected and concluding with the application for final allocation of tax credits.

Management Service Revenue - CSC provides property management services on a contractual basis for owners of residential rental real estate. These services include leasing, accounting, management and assistance with compliance with regulatory agreements. CSC is compensated for its services through a monthly management fee earned based on either a specified percentage of the monthly rental income, rental receipts generated from the property under management or a fixed fee. CSC is also reimbursed for its administrative and payroll costs directly attributable to the properties under management. Property management services represent a series of distinct daily services rendered over time. Consistent with the transfer of control for distinct, daily services to the customer, revenue is recognized at the end of each period for the fees associated with the services performed.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

Debt Issuance Costs - Debt issuance costs incurred in connection with the issuance of long-term debt are capitalized and amortized to interest expense over the term of the debt using the straight-line method, which approximates the effective interest method. The unamortized amount is presented as a reduction of long-term debt on the balance sheet.

CATHEDRAL SQUARE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Property and Equipment - Property and equipment are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Advertising - The Corporation expenses advertising costs as they are incurred.

Impairment of Long-Lived Assets - In accordance with the provisions of accounting for the impairment or disposal of long-lived assets, management reviews long-lived assets for impairment when circumstances indicate the carrying amount of an asset may not be recoverable based on the undiscounted future cash flows of the asset. If the carrying amount of an asset may not be recoverable, a write-down to fair value is recorded. Fair values are determined based on the discounted cash flows, quoted market values, or external appraisals, as applicable. There were no impairment charges during the year ended September 30, 2022.

Classification of Net Assets - Net assets of the Corporation are classified based on the presence or absence of donor-imposed restrictions. Net assets are comprised of two groups as follows:

Net Assets Without Donor Restrictions - Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or have been met.

Net Assets With Donor Restrictions - Net assets subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Corporation. Certain restrictions may need to be maintained in perpetuity.

Earnings related to restricted net assets will be included in net assets without donor restrictions unless otherwise specifically required to be included in donor-restricted net assets by the donor or by applicable state law.

Donor-restricted funds, both received and expended for purposes either implicit with the gift or explicitly outlined by the donor within the same operating period, have been classified as net assets without donor restrictions.

Subsequent Events - Subsequent events have been evaluated through February 21, 2023, the date the financial statements were available to be issued.

NOTE 2 - NOTE RECEIVABLE - MANAGEMENT

The Note Receivable at September 30, 2022 was:

Promissory Note - Development fee for services provided by Cathedral Square Corporation to the TSH Limited Partnership, 0% interest, payable from available cash flow, due in full on May 11, 2041, secured by a mortgage deed on the real property.

\$ 107,804

CATHEDRAL SQUARE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

NOTE 3 - LONG-TERM DEBT

Long-term debt at September 30, 2022 consists of the following:

<u>Lender</u>	<u>Property</u>	<u>Interest Rate</u>	<u>Payments</u>	<u>Maturity</u>	<u>2022</u>
<u>National Housing Trust Community Development Fund</u>	Heineberg Sr. Housing	3.0%	\$715/Mo	December 31, 2025	\$ 26,520
<u>Vermont Housing and Conservation Board (VHCB)</u>	Ruggles House	0%	Deferred	October 31, 2031	195,000
	Ruggles House	0%	Deferred	October 31, 2031	98,500
	Heineberg Sr. Housing	0%	Deferred	March 10, 2035	625,000
	CSC McAuley LLC	0%	Deferred	September 25, 2047	492,500
	CSC McAuley LLC	0%	Deferred	September 25, 2047	30,000
	CSC McAuley LLC	0%	Deferred	September 25, 2047	700,000
	Whitcomb Terrace	0%	Deferred	July 21, 2031	400,000
	Whitcomb Terrace	0%	Deferred	July 21, 2034	135,000
	Whitcomb Terrace	0%	Deferred	July 21, 2034	390,000
<u>Village of Essex Junction</u>	Whitcomb Terrace	0%	Deferred	December 17, 2034	260,000
<u>Whitcomb Woods Housing, LP</u>	Whitcomb Terrace	0%	Deferred	August 23, 2036	96,145
<u>City of Burlington</u>	Ruggles House	0%	Deferred	Sale/Change of Use	110,000
	Ruggles House	0%	Deferred	July 16, 2050	164,950
	Heineberg Sr. Housing	0%	Deferred	Sale/Change of Use	150,000
	CSC McAuley LLC	0%	Deferred	September 25, 2047	230,000
<u>Champlain Housing Trust</u>	Ruggles House	0%	Deferred	December 31, 2031	250,000
	CSC McAuley LLC	0%	Deferred	August 28, 2047	148,000

CATHEDRAL SQUARE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

NOTE 3 - LONG-TERM DEBT (Continued)

<u>Lender</u>	<u>Property</u>	<u>Interest Rate</u>	<u>Payments</u>	<u>Maturity</u>	<u>2022</u>
<u>Vermont Community Loan Fund</u>	Memory Care at Allen Brook	5.0%	\$5,690/Mo	September 12, 2024	355,970
<u>Vermont Housing Finance Agency (VHFA)</u>	Heineberg Sr. Housing	3.36%	\$7,943/Mo	April 1, 2036	1,749,532
	CSC McAuley LLC	5.054%	\$17,284/Mo	March 1, 2047	2,911,061
	CSC McAuley LLC	0%	Deferred	March 1, 2047	510,320
	Memory Care at Allen Brook	0%	Deferred	December 11, 2047	262,000
Total					10,290,498
Less Current Portion					124,600
					<u>\$10,165,898</u>

Current portions of long-term debt due within the next five years are as follows:

<u>Year Ending September 30</u>	<u>Total Amount</u>
2023	\$ 124,600
2024	449,435
2025	116,294
2026	114,936
2027	117,917
Thereafter	9,367,316
Total	<u>\$ 10,290,498</u>

NOTE 4 - DEFERRED INTEREST PAYABLE

Various entities or projects have deferred interest payable arrangements at September 30, 2022 as follows:

Heineberg Senior Housing - Note Payable - VHFA	\$ 1,147,831
Heineberg Senior Housing - Note Payable - VHCB	228,136
Ruggles House - Note Payable - City of Burlington	117,613
CSC McAuley, LLC - Note Payable - VHCB	770,234
CSC McAuley, LLC - Note Payable - City of Burlington	416,408
Whitcomb Terrace - Note Payable - VHCB	725,171
Total	<u>\$ 3,405,393</u>

CATHEDRAL SQUARE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

NOTE 5 - RETIREMENT PLAN

The Corporation maintains defined contribution retirement plans for its employees under Section 403(b) of the Internal Revenue Code. Contributions are made by the Corporation and, in addition, employees may make voluntary, tax-deferred contributions from their compensation. The Corporation also funds a Section 457(b) defined contribution plan for the Chief Executive Officer. During the year ended September 30, 2022, employer contributions to the retirement plans totaled \$257,111.

NOTE 6 - RESTRICTED ESCROW ACCOUNTS

The Corporation's properties have various regulatory agreements with VHFA. These agreements place various restrictions and requirements on the projects, including required deposits to Replacement Reserves and Operating Reserve accounts.

The Projects are required to make monthly deposits into reserves from operations or surplus cash or hold funds in escrow. Written agency approval is often required to make withdrawals from these funds.

NOTE 7 - SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist primarily of deposits with banks and financial institutions. These balances fluctuate during the year and can exceed the \$250,000 limit of FDIC coverage, however, the Corporation has not experienced any losses with respect to its bank balances in excess of government provided insurance. At September 30, 2022, the Corporation had cash on deposit with banks and financial institutions totaling \$7,362,934, of which \$250,000 was insured by the FDIC. The maximum amount of loss due to credit risk at September 30, 2022 was \$7,112,934, all of which was covered by a surety bond.

NOTE 8 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

A substantial portion of the Corporation's assets are concentrated in multifamily real estate within the State of Vermont. The Corporation is the General Partner in several limited partnerships. The Parent Corporation receives management and maintenance fees from the Partnerships as their primary source of revenue to pay for administrative costs. The Partnerships operate in a heavily regulated environment and are subject to the administrative directives of federal, state and local agencies, including but not limited to the VHFA and the U.S. Department of Housing and Urban Development. In addition, the SASH and Assisted Living programs and Memory Care at Allen Brook operate, and are primarily funded by the Centers for Medicare and Medicaid Services (CMS). Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by the agencies or other situation. Such changes may occur with little notice or with inadequate funding to pay for the related costs including the additional burden to comply with the changes and the inability to pay fees owed to the Corporation.

CATHEDRAL SQUARE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

NOTE 9 - RELATED PARTY TRANSACTIONS

CSC or CSC Partners, Inc. are either the owner, general partner, co-general partner or management agent in several partnerships and housing projects. CSC has entered into management contracts with these entities. During 2022, fees charged to these entities for management, administrative, maintenance, and resident services totaled \$4,167,510. At September 30, 2022, CSC was owed \$440,653 from these entities.

Development fees received for the development of properties at Bayview Crossing LP and WHH LP totaled \$879,625 in the year ended September 30, 2022.

CSC rents office space for \$3,000 per month from Farrell Street Senior Housing, L.P. CSC is the general partner of Farrell Street Senior Housing, L.P.

CSC entered into a Capital Advance Agreement with the U.S. Department of Housing and Urban Development for \$3,527,800 on behalf of Farrell Street Senior Housing, LP for the construction of the project. The capital advance is non-interest bearing, matures May 1, 2047 and is secured by the real estate and personal property of the Partnership. The capital advance is recorded on the Partnership's books and not on CSC's books.

Pursuant to the partnership agreements, CSC is entitled to receive partnership administration fees from various partnerships in which CSC is either a General Partner or a Co-General Partner. Fees received in 2022 totaled \$19,857.

NOTE 10 - ENDOWMENT

The Corporation has established an Endowment Fund with funds assigned by donation from McAuley Square, Inc. and has adopted the investment policy of the donor. The Board of Directors of Cathedral Square Corporation has interpreted current responsibilities associated with the assignment as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund, absent explicit donor stipulations to the contrary. As a result of the interpretation, Cathedral Square classifies the endowment as net assets with donor restrictions according to the original value of gifts donated to the permanent endowment. The remaining portion of donor-restricted net assets, as well as any increases, are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the organization as directed by the investment policy.

The investment policy states that the original corpus of the Endowment, \$500,000, must be preserved. The remainder can be distributed, up to 5% annually, at the sole discretion of the Board of Directors. The expenditures are to be used to provide resident services to McAuley Square tenants. Investment objectives include the preservation of the original corpus, adjusted for inflation, the preservation of capital from erosion by inflation, the minimization of administrative and management costs without undue sacrifice to the quality of investment performance or service, and to embrace socially responsible investing where feasible. The fair value of the Endowment as of September 30, 2022 was \$930,707. The full balance has been recorded as net assets with donor restrictions.

CATHEDRAL SQUARE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

NOTE 10 - ENDOWMENT (Continued)

Changes in Endowment Net Assets consisted of the following:

Beginning Balance	\$ 1,111,712
Interest and Dividends	13,779
Net Appreciation	(147,610)
Less: Investment Fees	(6,876)
Distributions	<u>(40,298)</u>
Total Endowment Net Assets	930,707
Net Assets Without Donor Restrictions	<u>-</u>
Net Assets With Donor Restrictions	<u>\$ 930,707</u>

NOTE 11 - BOARD-DESIGNATED INVESTMENTS

The Corporation has established an investment account with funds designated by the Board of Directors of CSC. The Board of Directors has approved the transfer of \$500,000 into the board designated investment fund. Investment objectives include the growth of the original corpus, the minimization of administrative and management costs without undue sacrifice to the quality of investment performance or service, and to embrace socially responsible investing where feasible. The fair value of the Investment as of September 30, 2022 was \$427,922.

Beginning Balance	\$ -
Initial Fund Investment	500,000
Interest and Dividends	3,706
Net Appreciation	(74,108)
Less: Investment Fees	<u>(1,676)</u>
Total Investment Net Assets	<u>\$ 427,922</u>

NOTE 12 - INVESTMENTS

Pursuant to the FASB ASC 820-10-50, the Corporation is required to make disclosures about the calculations (i.e. "inputs") used to generate fair value measurements, including their classification within a hierarchy that prioritizes the inputs to the fair value measurements. The three levels of the fair value hierarchy are as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: Observable quoted prices in active markets for similar assets or liabilities or identical assets or liabilities in inactive markets; and
- Level 3: Inputs that are not based on observable market data.

CATHEDRAL SQUARE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

NOTE 12 - INVESTMENTS (Continued)

The fair value of the Corporation's investments was calculated using the following input data as of September 30, 2022:

Level 1 Inputs:	
Cash	\$ 21,217
Equity Exchange Traded Securities	303,246
Exchange Traded Fixed Income Securities	218,686
Bonds	211,052
Common Stock	604,428
Total	<u><u>\$1,358,629</u></u>

Return on Investment consisted of the following:

Interest and Dividends	\$ 17,485
Gains on the Sale of Investments	129,584
Unrealized Loss on Investments	<u>(351,303)</u>
Total Return on Investment	<u><u>\$ (204,234)</u></u>

NOTE 13 - EQUITY INVESTMENTS

CSC or CSC Partners, Inc. are the co-general partners in several limited partnerships. Equity investments to these entities at September 30, 2022 was \$4,912,607. Equity investments are accounted for under the equity method.

NOTE 14 - DEVELOPMENT PROJECTS

As of September 30, 2022, Cathedral Square Corporation is owed \$795,481 in development costs associated with the development or redevelopment of various properties. These costs are expected to be reimbursed by the entities.

As of September 30, 2022, Cathedral Square Corporation is holding raised capital of \$87,500 for development costs associated with the development of Bayview Crossing LP.

NOTE 15 - SELF INSURANCE

The Corporation maintains a self-insurance program for unemployment costs of former employees who terminate their employment with CSC. The Corporation is liable for direct reimbursement of claims made by former employees with the State of Vermont. CSC participates in a trust to maintain deposits and process claims. The trust has established a stop-loss reserve fund to pay claims in excess of \$25,000 or 10% of the Corporation's taxable wages, whichever is greater, up to twice the threshold for accessing the fund. Stop-loss reserve fund payments are at the sole discretion of the Trustees. Self-insurance costs are accrued based on claims reported as of the balance sheet date as well as an estimated liability for claims incurred but not reported. As of September 30, 2022, the total accrued liability for self-insurance costs was \$6,300.

CATHEDRAL SQUARE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

NOTE 16 - HOME PROGRAM

Pursuant to loan agreements with the City of Burlington, CSC McAuley, LLC must designate nineteen (19) dwelling units as HOME units to comply with affordability and other specified requirements for a period of twenty (20) years. Failure to comply with these requirements may result in repayment of funds.

NOTE 17 - ENTITIES OMITTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements do not include the Limited Partnerships controlled by either Cathedral Square Corporation (CSC) or CSC Partners Inc., a wholly owned subsidiary of CSC. CSC does not believe it is practical or meaningful to include the statements of financial position and the results of operations of the following Partnerships in the consolidated statements:

CSSL Limited Partnership	TSH Two Limited Partnership
Essex Senior Housing LP	Rail City Housing LP
GWC II Limited Partnership	TSH Limited Partnership
Richmond Terrace LP	Elm Place Limited Partnership
SH Limited Partnership	Farrell Street Senior Housing LP
Allard Square Limited Partnership	Whitcomb Woods Limited Partnership
Juniper North Bond LP	Juniper South Allocated LP
Bayview Crossing Limited Partnership	WHH Limited Partnership

CSC also does not believe it is practical or meaningful to include the statements of financial position and results of operations of the following entities, related through common board control, in the consolidated statements:

Jeri Hill Housing Corporation
Monroe Place Corporation
South Burlington Community Housing Corporation

Separate financial statements for all of the above entities have been prepared and forwarded to the appropriate funding agencies.

The exclusion of the above entities represents a departure from Generally Accepted Accounting Principles that would require these entities to be included in consolidated financial statements.

If the financial statements had been consolidated with these entities, the total assets, liabilities, and net assets would have increased by \$103,064,114, \$60,774,164 and \$42,289,950, respectively, and revenue and expenses would have increased by \$9,150,320 and \$6,237,950, respectively, at September 30, 2022.

CATHEDRAL SQUARE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

NOTE 18 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Corporation's working capital and cash flows are derived from monthly revenues consisting of rent, housing assistance payments, state and federal assistance, management fees, and investment activities from endowment funds. In addition, the Corporation receives development fees, grants, and donations.

The Corporation manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due.

The following reflects the Corporation's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual and donor restrictions within one year of the statement of financial position date. Amounts not available include balances retained in endowment funds and long-term investing in capital reserves that could be drawn upon if approved by VHFA.

Cash and Cash Equivalents	\$ 6,888,906
Grants Receivable	414,377
Accounts Receivable	1,226,396
Board-Designed Investments	427,922
Endowment Fund	<u>930,707</u>
Total Financial Assets	9,888,308
Less Donor and Contractually Restricted Balances:	
Restricted Escrow Accounts	(1,571,486)
Endowment Fund - Donor Restricted	<u>(930,707)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u><u>\$ 7,386,115</u></u>

NOTE 19 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following provides a reconciliation of cash, cash equivalents and restricted cash reported within the Statement of Financial Position that sum to the total of the same such amounts shown in the Statement of Cash Flows.

Cash and Cash Equivalents	\$ 5,317,420
Reserve for Replacements	1,147,438
Other Reserves	424,048
Tenant Security Deposits	<u>132,032</u>
Total Cash, Cash Equivalents and Restricted Cash Accounts	<u><u>\$ 7,020,938</u></u>

CATHEDRAL SQUARE CORPORATION
 NOTES TO THE FINANCIAL STATEMENTS
 (Continued)

NOTE 20 - METHODS USED FOR ALLOCATION OF EXPENSES AMONG PROGRAM AND SUPPORTING SERVICES

The costs of providing various program and supporting activities have been included on a functional and natural basis. These expenses require allocation on a reasonable basis that is consistently applied, which is on the basis of time and effort studies.

NOTE 21 - NET ASSETS

Net Assets without Donor Restrictions

In accordance with FASB Codification *ASC 958-205 Not-for-Profit Entities Presentation of Financial Statements*, many of CSC's net assets are classified for accounting purposes as without donor restrictions.

Net Assets with Donor Restrictions

Donor restricted net assets consist of the endowment fund, restricted cash accounts held for repayment, and raised capital for the development costs associated with the development of Bayview Crossing LP.

Net assets without donor restrictions are comprised of the following at September 30, 2022:

Board Designated Investment Fund	\$ 427,922
Undesignated	11,665,874
	\$12,093,796

Net assets with donor restrictions are comprised of the following at September 30, 2022 are as follows:

Endowment	\$ 930,707
Raised Capital for Development	87,500
Restricted Cash	18,016
	\$ 1,036,223

NOTE 22 - PANDEMIC UNCERTAINTY

On March 13, 2020, a national emergency was declared in the United States as a result of the coronavirus pandemic. This public health crisis has had a significant and wide-ranging effect on the United States economy and is expected to continue for some time. There has been limited impact on the Corporation's financial position and operations. Management continues to monitor and actively assess the impact of this evolving situation on its operations and financial position but the full duration, magnitude and potential future financial effect is indeterminable at this time.

SUPPLEMENTARY INFORMATION

CATHEDRAL SQUARE CORPORATION
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

September 30, 2022

ASSETS

	Management	Assisted Living Operations	SASH	Memory Care at Allen Brook	Ruggles House	Heineberg Housing	Whitcomb Terrace	CSC McAuley LLC	Eliminations	Total
CURRENT ASSETS										
Cash and Cash Equivalents	\$ 4,292,725	\$ 19,558	\$ 699,236	\$ 9,672	\$ 1,873	\$ 128,779	\$ 124,997	\$ 40,580	\$ -	\$ 5,317,420
Accounts Receivable	17,725	121,134	29,720	414,629	2,639	18,052	4,800	48,537	-	657,236
Accounts Receivable - Related Parties	1,096,080	125,667	-	-	-	-	(4,519)	-	(648,068)	569,160
Grants Receivable	60,931	-	353,446	-	-	-	-	-	-	414,377
Prepaid Expenses	31,105	-	7,519	-	-	3,306	5,840	37,354	-	85,124
Total Current Assets	5,498,566	266,359	1,089,921	424,301	4,512	150,137	131,118	126,471	(648,068)	7,043,317
OTHER ASSETS										
Restricted Escrow Accounts	170,261	-	-	80,375	90,118	485,449	324,020	421,263	-	1,571,486
Tenant Security Deposits	-	-	-	5,597	9,360	62,869	9,382	44,824	-	132,032
Notes Receivable	223,846	-	-	-	-	-	-	-	(116,042)	107,804
Equity Investments	4,912,607	-	-	-	-	-	-	-	-	4,912,607
Development Projects	795,481	-	-	-	-	-	-	-	-	795,481
Total Other Assets	6,102,195	-	-	85,972	99,478	548,318	333,402	466,087	(116,042)	7,519,410
PROPERTY AND EQUIPMENT										
Land and Improvements	-	-	-	299,488	-	58,558	70,946	585,974	-	1,014,966
Building and Improvements	-	-	-	1,381,045	1,238,358	5,111,179	1,493,982	5,546,544	-	14,771,108
Furniture, Fixtures and Equipment	241,259	-	-	77,934	15,000	141,872	19,197	32,266	-	527,528
Construction in Process	-	-	-	-	-	82,841	-	-	-	82,841
Total	241,259	-	-	1,758,467	1,253,358	5,394,450	1,584,125	6,164,784	-	16,396,443
Less Accumulated Depreciation	(239,533)	-	-	(228,734)	(194,779)	(2,603,094)	(40,195)	(809,262)	-	(4,115,597)
NET PROPERTY AND EQUIPMENT	1,726	-	-	1,529,733	1,058,579	2,791,356	1,543,930	5,355,522	-	12,280,846
ENDOWMENT	930,707	-	-	-	-	-	-	-	-	930,707
INVESTMENT ACCOUNT	427,922	-	-	-	-	-	-	-	-	427,922
TOTAL ASSETS	\$ 12,961,116	\$ 266,359	\$ 1,089,921	\$ 2,040,006	\$ 1,162,569	\$ 3,489,811	\$ 2,008,450	\$ 5,948,080	\$ (764,110)	\$ 28,202,202

CATHEDRAL SQUARE CORPORATION
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
(Continued)

September 30, 2022

LIABILITIES AND NET ASSETS

	Management	Assisted Living Operations	SASH	Memory Care at Allen Brook	Ruggles House	Heineberg Housing	Whitcomb Terrace	CSC McAuley, LLC	Eliminations	Total
CURRENT LIABILITIES										
Accounts Payable	\$ 91,082	\$ 5,351	\$ 2,051	\$ 12,992	\$ 4,795	\$ 25,249	\$ 3,461	\$ 24,679	\$ (2,512)	\$ 167,148
Fundraising Payable	87,500	-	-	-	-	-	-	-	-	87,500
Accrued Interest Payable	-	-	-	2,077	-	4,899	-	12,260	-	19,236
Other Accrued Liabilities	490,254	35,700	368,769	23,818	1,515	8,191	1,843	1,138	-	931,228
Due to Intercompany	-	151,804	35,526	410,601	15,629	-	-	31,996	(645,556)	-
Deferred Revenue	2,618	2,920	71,450	1,368	1,138	2,364	701	2,470	-	85,029
Current Portion of Long-term Debt	-	-	-	17,916	2,645	44,984	-	61,700	(2,645)	124,600
Total Current Liabilities	671,454	195,775	477,796	468,772	25,722	85,687	6,005	134,243	(650,713)	1,414,741
DEPOSIT LIABILITIES										
Tenant Security Deposit and interest	-	-	-	5,597	9,360	62,869	9,382	44,578	-	131,786
Resident Service Deposits	-	12,995	-	-	-	-	-	1,141	-	14,136
Total Deposit Liabilities	-	12,995	-	5,597	9,360	62,869	9,382	45,719	-	145,922
LONG-TERM DEBT										
Notes Payable	-	-	-	600,054	815,805	2,506,068	1,281,145	4,960,181	2,645	10,165,898
Less Deferred Loan Fees	-	-	-	(3,825)	-	(30,733)	-	(25,213)	-	(59,771)
Other Note Payable	-	-	-	-	136,042	-	-	-	(136,042)	-
Deferred Interest Payable	-	-	-	-	117,613	1,375,967	725,171	1,186,642	-	3,405,393
Total Long-term Debt	-	-	-	596,229	1,069,460	3,851,302	2,006,316	6,121,610	(133,397)	13,511,520
Total Liabilities	671,454	208,770	477,796	1,070,598	1,104,542	3,999,858	2,021,703	6,301,572	(784,110)	15,072,183
NET ASSETS										
Net Assets Without Donor Restrictions	11,253,439	57,589	612,125	969,408	58,027	(510,047)	(13,253)	(353,492)	20,000	12,093,796
Net Assets With Donor Restrictions	1,036,223	-	-	-	-	-	-	-	-	1,036,223
TOTAL NET ASSETS	12,289,662	57,589	612,125	969,408	58,027	(510,047)	(13,253)	(353,492)	20,000	13,130,019
TOTAL LIABILITIES AND NET ASSETS	\$ 12,961,116	\$ 266,359	\$ 1,089,921	\$ 2,040,006	\$ 1,162,569	\$ 3,489,811	\$ 2,008,450	\$ 5,948,080	\$ (764,110)	\$ 28,202,202

CATHEDRAL SQUARE CORPORATION
CONSOLIDATING SCHEDULE OF ACTIVITIES
For the Year Ended September 30, 2022

	Management	Assisted Living Operations	SASH	Memory Care at Allen Brook	Ruggles House	Heineberg Housing	Whitcomb Terrace	CSC McAuley, LLC	Eliminations	Total
REVENUES										
Rental Revenue	\$ -	\$ -	\$ -	\$ 117,349	\$ 173,112	\$ 975,984	\$ 225,930	\$ 917,711	\$ -	\$ 2,410,086
State and Federal Assistance	-	753,681	-	1,065,599	-	-	-	-	-	1,819,280
Donations	45,251	-	100	662,921	-	-	-	-	-	708,272
Management and Related Service Fees	5,295,090	-	-	-	-	-	-	-	(1,127,580)	4,167,510
Development Fees	879,625	-	-	-	-	-	-	-	-	879,625
Client Fees	-	522,423	-	141,816	-	-	-	-	-	664,239
Grant Income	653,638	382,624	3,415,264	22,821	-	-	-	-	(20,000)	4,454,347
Investment Income	(204,234)	-	-	-	-	-	-	-	-	(204,234)
Interest Income	11,291	-	-	57	39	683	111	341	(1,366)	11,156
Other Income	48,863	-	213,745	4,695	19,176	29,882	2,449	58,596	(40,298)	337,108
TOTAL SUPPORT AND REVENUE	6,729,524	1,658,728	3,629,109	2,015,258	192,327	1,006,549	228,490	976,648	(1,189,244)	15,247,389
EXPENSES										
Program Services	4,024,945	1,575,403	3,457,907	1,422,628	201,724	991,813	219,948	1,063,497	(803,033)	12,154,832
Management and General	1,742,222	-	-	134,772	23,498	82,505	21,795	78,343	(381,211)	1,701,924
Fundraising	54,045	-	-	-	-	-	-	-	-	54,045
TOTAL OPERATING EXPENSES	5,821,212	1,575,403	3,457,907	1,557,400	225,222	1,074,318	241,743	1,141,840	(1,184,244)	13,910,801
INCREASE (DECREASE) IN NET ASSETS	908,312	83,325	171,202	457,858	(32,895)	(67,769)	(13,253)	(165,192)	(5,000)	1,336,588
TOTAL NET ASSETS, Beginning of Year	11,381,350	(25,736)	440,923	511,550	90,922	(442,278)	-	(188,300)	25,000	11,793,431
TOTAL NET ASSETS, End of Year	\$ 12,289,662	\$ 57,589	\$ 612,125	\$ 969,408	\$ 58,027	\$ (510,047)	\$ (13,253)	\$ (353,492)	\$ 20,000	\$ 13,130,019
CHANGES TO NET ASSETS WITHOUT DONOR RESTRICTIONS:										
BEGINNING OF THE YEAR	\$ 9,988,173	\$ (25,736)	\$ 440,923	\$ 511,550	\$ 90,922	\$ (442,278)	\$ -	\$ (188,300)	\$ 25,000	\$ 10,400,254
Total Support and Revenue	6,915,278	1,658,728	3,629,109	2,015,258	192,327	1,006,549	228,490	976,648	(1,189,244)	15,433,143
Total Operating Expenses	(5,821,212)	(1,575,403)	(3,457,907)	(1,557,400)	(225,222)	(1,074,318)	(241,743)	(1,141,840)	1,184,244	(13,910,801)
NET ASSETS WITHOUT DONOR RESTRICTIONS, END OF YEAR	\$ 11,253,439	\$ 57,589	\$ 612,125	\$ 969,408	\$ 58,027	\$ (510,047)	\$ (13,253)	\$ (353,492)	\$ 20,000	\$ 12,093,796
CHANGES TO NET ASSETS WITH DONOR RESTRICTIONS:										
BEGINNING OF THE YEAR	\$ 1,393,177	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,393,177
Total Support and Revenue	(185,754)	-	-	-	-	-	-	-	-	(185,754)
Net Assets Released from Restriction	(171,200)	-	-	-	-	-	-	-	-	(171,200)
NET ASSETS WITH DONOR RESTRICTIONS, END OF YEAR	\$ 1,036,223	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,036,223

CATHEDRAL SQUARE CORPORATION
SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES AND EXPENSES
For the Year Ended September 30, 2022

MANAGEMENT

REVENUES	
Management and Related Service Fees	\$ 5,295,090
Development Fees	879,625
Grant Income	653,638
Donations	45,251
Gain on the Sale of Investments	129,585
Unrealized Loss on Investments	(351,303)
Income from Investments	17,484
Interest Income	11,291
Other Income	48,863
Total Revenues	<u>6,729,524</u>
EXPENSES	
Administrative	
Salaries	837,503
Payroll Taxes	62,275
Pension	36,190
Life/Disability	14,855
Insurance	248,008
Workers Compensation	14,880
Total Administrative Expenses	<u>1,213,711</u>
Housing Operations	
Salaries	1,596,690
Payroll Taxes	125,645
Pension	54,763
Life/Disability	18,327
Insurance	369,041
Workers Compensation	55,399
Total Housing Operations Expenses	<u>2,219,865</u>
Housing Services	
Salaries	1,023,045
Payroll Taxes	78,337
Pension	38,884
Life/Disability	11,902
Insurance	246,996
Workers Compensation	23,150
Total Housing Services Expenses	<u>1,422,314</u>

CATHEDRAL SQUARE CORPORATION
SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES AND EXPENSES
(Continued)

For the Year Ended September 30, 2022

MANAGEMENT

Development	
Salaries	233,841
Miscellaneous	78,028
Payroll Taxes	18,305
Pension	9,208
Life/Disability	4,749
Insurance	34,678
Workers Compensation	3,957
	<hr/>
Total Development Expenses	382,766
	<hr/>
Unallocated Expenses	
Vehicle	1,998
Dues and Subscriptions	4,373
Telephone	23,304
Office Expense	20,864
Education	26,242
Rent	36,000
Audit	28,133
Legal	5,546
Computer	105,713
Consulting	900
Depreciation	3,932
Postage	12,535
Printing	1,000
Employee Appreciation	5,115
Travel	11,412
Marketing	13,138
Contributions	3,760
Investment Expenses	48,850
Other	229,741
	<hr/>
Total Unallocated Expenses	582,556
	<hr/>
Total Operating Expenses	5,821,212
	<hr/>
INCREASE IN NET ASSETS	<u>\$ 908,312</u>

CATHEDRAL SQUARE CORPORATION
SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES AND EXPENSES

For the Year Ended September 30, 2022

ASSISTED LIVING OPERATIONS

	<u>Personal Care</u>	<u>Kitchen</u>	<u>Total</u>
REVENUES			
Medicaid	\$ 753,681	\$ -	\$ 753,681
Client Fees	296,999	225,424	522,423
Grant Income	382,624	-	382,624
	<hr/>	<hr/>	<hr/>
Total Revenues	1,433,304	225,424	1,658,728
	<hr/>	<hr/>	<hr/>
EXPENSES			
Compensation	875,824	122,113	997,937
Agency Call Out	83,771	-	83,771
Payroll Taxes	70,456	9,733	80,189
Health Insurance	133,770	22,001	155,771
Life/Disability	7,216	1,088	8,304
Workers Compensation	42,482	4,849	47,331
Pension	32,064	1,391	33,455
Education	134	-	134
Supplies	19,358	19,838	39,196
Food	-	112,894	112,894
Travel	731	57	788
Other	1,491	14,142	15,633
	<hr/>	<hr/>	<hr/>
Total Operating Expenses	1,267,297	308,106	1,575,403
	<hr/>	<hr/>	<hr/>
INCREASE (DECREASE) IN NET ASSETS	\$ 166,007	\$ (82,682)	\$ 83,325
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CATHEDRAL SQUARE CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES AND EXPENSES

For the Year Ended September 30, 2022

SASH

REVENUES	
Grant Income	\$ 3,415,264
Donations	100
Other Income	213,745
	<hr/>
Total Revenues	3,629,109
	<hr/>
EXPENSES	
Salaries	1,675,303
Payroll Taxes	131,224
Health Insurance	286,514
Life/Disability	17,783
Workers Compensation	32,472
Pension	70,186
Recruitment	9,731
Education	9,132
Supplies	3,676
Legal	1,550
Travel	10,209
Consulting	7,100
Information Technology	8,510
Nursing	79,533
Functional Team	20,061
Grant Expenditures	1,068,530
Other	26,393
	<hr/>
Total Operating Expenses	3,457,907
	<hr/>
INCREASE IN NET ASSETS	\$ 171,202
	<hr/> <hr/>

CATHEDRAL SQUARE CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES AND EXPENSES

For the Year Ended September 30, 2022

MEMORY CARE AT ALLEN BROOK

REVENUES

Tenant Rental Income	\$ 70,078
Rental Assistance	47,271
Medicaid	1,065,599
Client Fees - Personal care	48,773
Client Fees - Kitchen	93,043
Donations	662,921
Grant Income	22,821
Interest Income	57
Other Income	4,695

Total Revenues	<u>2,015,258</u>
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EXPENSES

Administrative

Management Fees	11,256
Administrative Salaries	77,292
Legal and Accounting	7,954
Other Administrative	8,324

Total Administrative	<u>104,826</u>
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Services

Salaries	626,438
Agency Call Out	190,305
Payroll Taxes	49,143
Pension	14,425
Life/Disability	5,772
Insurance	162,069
Workers Compensation	29,196
Resident Services	41,925
Food	47,966
Supplies	12,523
Other	1,364

Total Resident Services	<u>1,181,126</u>
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Utilities

Electricity	13,044
Fuel	8,274
Water and Sewer	3,960
Other Utilities	6,923

Total Utilities	<u>32,201</u>
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CATHEDRAL SQUARE CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES AND EXPENSES
 (Continued)

For the Year Ended September 30, 2022

MEMORY CARE AT ALLEN BROOK

Maintenance and Repairs	
Maintenance Salaries	35,316
Cleaning and Supplies	5,466
Maintenance Contracts	19,303
Trash Removal	2,025
Snow Removal	4,297
Miscellaneous Maintenance	773
Total Maintenance and Repairs	<u>67,180</u>
General Expenses	
Payroll Taxes	11,904
Property and Liability Insurance	2,965
Health Insurance	50,772
Workers Compensation	4,668
Interest Expense	50,384
Depreciation	51,374
Total General Expenses	<u>172,067</u>
Total Operating Expenses	<u>1,557,400</u>
INCREASE IN NET ASSETS	<u>\$ 457,858</u>

CATHEDRAL SQUARE CORPORATION
SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES AND EXPENSES
For the Year Ended September 30, 2022

RUGGLES HOUSE

REVENUES	
Tenant Rental Income	\$ 95,489
Rental Assistance	77,623
Interest Income	39
Other Income	<u>19,176</u>
Total Revenues	<u>192,327</u>
EXPENSES	
Administrative	
Management Fees	8,580
Administrative Salaries	13,500
Legal and Accounting	3,548
Other Administrative	<u>11,624</u>
Total Administrative	<u>37,252</u>
Resident Services	<u>21,252</u>
Utilities	
Electricity	11,952
Fuel	7,985
Water and Sewer	5,933
Other Utilities	<u>4,337</u>
Total Utilities	<u>30,207</u>
Maintenance and Repairs	
Maintenance Salaries	16,476
Cleaning and Supplies	3,439
Maintenance Contracts	19,540
Trash Removal	3,128
Snow Removal	4,639
Miscellaneous Maintenance	<u>884</u>
Total Maintenance and Repairs	<u>48,106</u>

CATHEDRAL SQUARE CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES AND EXPENSES
 (Continued)

For the Year Ended September 30, 2022

RUGGLES HOUSE

General Expenses	
Property and Liability Insurance	5,384
Real Estate Taxes	13,721
Payroll Taxes	3,924
Health Insurance	16,728
Workers Compensation	1,548
Interest Expense	3,185
Depreciation	43,915
	<hr/>
Total General Expenses	88,405
	<hr/>
Total Expenses	225,222
	<hr/>
DECREASE IN NET ASSETS	<u>\$ (32,895)</u>

CATHEDRAL SQUARE CORPORATION
SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES AND EXPENSES

For the Year Ended September 30, 2022

WHITCOMB TERRACE

REVENUES	
Tenant Rental Income	\$ 106,083
Rental Assistance	119,847
Interest Income	111
Other Income	2,449
	<hr/>
Total Revenues	228,490
	<hr/>
EXPENSES	
Administrative	
Management Fees	15,012
Administrative Salaries	13,656
Legal and Accounting	6,534
Other Administrative	5,224
	<hr/>
Total Administrative	40,426
	<hr/>
Resident Services	15,513
	<hr/>
Utilities	
Electricity	17,530
Fuel	5,865
Water and Sewer	6,557
Other Utilities	470
	<hr/>
Total Utilities	30,422
	<hr/>
Maintenance and Repairs	
Maintenance Salaries	27,540
Cleaning and Supplies	4,466
Maintenance Contracts	15,268
Trash Removal	2,856
Snow Removal	6,226
Miscellaneous Maintenance	5,149
	<hr/>
Total Maintenance and Repairs	61,505
	<hr/>

CATHEDRAL SQUARE CORPORATION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES AND EXPENSES
 (Continued)

For the Year Ended September 30, 2022

WHITCOMB TERRACE

General Expenses	
Property and Liability Insurance	9,823
Real Estate Taxes	19,307
Payroll Taxes	4,344
Health Insurance	18,504
Workers Compensation	1,704
Depreciation	40,195
	<hr/>
Total General Expenses	93,877
	<hr/>
Total Expenses	241,743
	<hr/>
DECREASE IN NET ASSETS	\$ (13,253)
	<hr/> <hr/>

CATHEDRAL SQUARE CORPORATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2022

<u>Federal Grantor/Pass through Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Health and Human Services</u>		
Passed through State of Vermont, Department of Health: Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke (ID No. 03420-08854, 03420-09264)	93.426	<u>\$ 163,720</u>
Medicaid Cluster		
Passed through State of Vermont, Department of Disabilities Aging and Independent Living: Medical Assistance Program (ID No. 03460-1-2490, 03460-7-2539)	93.778	545,381
Passed through State of Vermont, Department of Vermont Health Access: Medical Assistance Program (ID No. 03410-2315-22)	93.778	<u>31,092</u>
Total Medicaid Cluster		<u>576,473</u>
Total U.S. Department of Health and Human Services		<u>740,192</u>
<u>U.S. Department of Housing and Urban Development</u>		
Older Adult Homes Modification Program	14.921	204,574
Passed through Vermont Housing and Conservation Board - Home Investment Partnership Program (ID No. 2022-033-001)	14.239	<u>50,688</u>
Total U.S Department of Housing and Urban Development		<u>255,262</u>
<u>U.S. Department of the Treasury</u>		
Passed through Vermont Agency of Human Services: Coronavirus State and Local Recovery Funds (ID No. 03460-1- 2476)	21.027	<u>56,549</u>
Total U.S. Department of the Treasury		<u>56,549</u>
Total Expenditures of Federal Awards		<u>\$ 1,052,004</u>

CATHEDRAL SQUARE CORPORATION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2022

NOTE 1 - BASIS OF ACCOUNTING

The Schedule of Federal Awards is presented using the accrual basis of accounting. The schedule does not include the unconsolidated limited partnerships. These entities were subject to stand alone compliance and audit requirements as applicable.

NOTE 2 - RELATIONSHIP TO FINANCIAL STATEMENTS

The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations (CFR) Part 200.516*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in, the preparation of the financial statements.

NOTE 3 - DE MINIMIS INDIRECT COST RATE

The Corporation has elected to use the 10% de minimis indirect cost rate per Title 2 *U.S. Code of Federal Regulations (CFR) Part 200*.

CATHEDRAL SQUARE CORPORATION
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended September 30, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: qualified
 Internal control over financial reporting:
 Material weakness(es) identified? yes no
 Significant deficiency(ies) identified
 not considered to be material weaknesses? yes none reported
 Noncompliance material to financial statements noted? yes no

Federal Awards

Internal Control over major programs:
 Material weakness(es) identified? yes no
 Significant deficiency(ies) identified
 not considered to be material weaknesses? yes none reported

Type of auditor's report issued on compliance for
 major programs: unmodified
 Any audit findings disclosed that are required to be
 reported in accordance with Title 2 *U.S. Code of
 Federal Regulations* (CFR) Part 200:516? yes no

Identification of major programs:

CFDA Number

93.778

Name of Federal Program or Cluster

Medicaid Cluster

Dollar threshold used to distinguish
 between Type A and Type B programs: \$ 750,000
 Auditee qualified as low-risk auditee? yes no

Section II - Financial Statement Findings

None.

Section III - Federal Award Findings and Questioned Costs

None.



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 Directors
Cathedral Square Corporation

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 Cathedral Square Corporation, which comprise the consolidated statement of financial position as of September 30, 2022, and the related consolidated statements of activities and changes in net assets, 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 21, 2023.

Internal Control Over Financial Reporting

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cathedral Square Corporation'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Otis Atwell". The signature is written in a cursive style with a large, prominent "O" at the beginning.

Certified Public Accountants

February 21, 2023
South Portland, Maine



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR ITS MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Cathedral Square Corporation

Report on Compliance for Its Major Federal Program

Opinion on Its Major Federal Program

We have audited Cathedral Square Corporation'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 Cathedral Square Corporation's major federal program for the year ended September 30, 2022. Cathedral Square Corporation'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, Cathedral Square Corporation complies, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2022.

Basis for Opinion on Its Major Federal Program

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

We are required to be independent of Cathedral Square Corporation 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 Cathedral Square Corporation'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 Cathedral Square Corporation'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 Cathedral Square Corporation'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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Cathedral Square Corporation's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Cathedral Square Corporation'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 Cathedral Square Corporation'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 Cathedral Square Corporation'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 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.



Certified Public Accountants

February 21, 2023
South Portland, Maine