

**CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC.
AND SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS

**AND CERTAIN SUPPLEMENTAL INFORMATION
PRESENTED FOR PURPOSES OF A SINGLE AUDIT**

June 30, 2016 and 2015

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Catholic Charities of the Diocese of Pueblo, Inc. and subsidiary
Pueblo, Colorado

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Catholic Charities of the Diocese of Pueblo, Inc. and subsidiary, which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 or 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Catholic Charities of the Diocese of Pueblo, Inc. and subsidiary as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The comparative schedule of functional expenses, the consolidating statements of financial position, the consolidating statements of activities and the 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* are presented for purposes of additional analysis and are not a required part of the consolidated statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2017 on our consideration of Catholic Charities of the Diocese of Pueblo, Inc. and subsidiary'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Catholic Charities of the Diocese of Pueblo, Inc. and subsidiary's internal control over financial reporting and compliance.

Mr. Peterson, Brynogh, Durkin & Goodrich, PC

February 26, 2017

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC. AND SUBSIDIARY
 June 30, 2016 and 2015

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 697,384	\$ 810,943
Investments	522,198	491,608
Accounts receivable, net of allowance for doubtful accounts	1,884	5,119
Grant and contract receivables	463,803	259,923
Property and equipment, net of accumulated depreciation	<u>117,354</u>	<u>81,137</u>
TOTAL ASSETS	<u>\$ 1,802,623</u>	<u>\$ 1,648,730</u>
 <u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable	\$ 93,717	\$ 26,953
Accrued expenses	28,689	8,378
Deferred revenue	366,375	297,662
Client deposits	369,502	366,728
Accrued compensated absences	<u>78,405</u>	<u>56,957</u>
TOTAL LIABILITIES	<u>936,688</u>	<u>756,678</u>
NET ASSETS		
Unrestricted	311,857	341,750
Board designated	<u>520,000</u>	<u>520,000</u>
Total Unrestricted	831,857	861,750
Temporarily Restricted	<u>34,078</u>	<u>30,302</u>
TOTAL NET ASSETS	<u>865,935</u>	<u>892,052</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,802,623</u>	<u>\$ 1,648,730</u>

The accompanying notes to financial statements are an integral part of this statement.

CONSOLIDATED STATEMENTS OF ACTIVITIES
CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC. AND SUBSIDIARY
For the years ended June 30, 2016 and 2015

	2016		<u>TOTALS</u>
	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	
SUPPORT AND REVENUES			
Support			
United Way allocations	\$ 30,530	\$ -	\$ 30,530
Diocesan Ministry Fund support	100,000	-	100,000
Pueblo Deanery support	-	13,316	13,316
Contributions	235,940	21,319	257,259
Assistance programs	38,593	464,817	503,410
Total Support	<u>405,063</u>	<u>499,452</u>	<u>904,515</u>
Revenues			
Contract grants	2,231,108	1,500	2,232,608
County and private grants	912,187	-	912,187
Immigration service fees	23,941	-	23,941
Other fees	18,546	-	18,546
Money management fees	46,340	-	46,340
Special event, net of costs \$2,063 and \$1,735	31,080	-	31,080
Miscellaneous revenues	3,643	-	3,643
Investment income	29,891	-	29,891
Net realized and unrealized gain (loss) on investments	725	-	725
Total Revenues	<u>3,297,461</u>	<u>1,500</u>	<u>3,298,961</u>
Net Assets Released from Restrictions	<u>497,176</u>	<u>(497,176)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUES	<u>4,199,700</u>	<u>3,776</u>	<u>4,203,476</u>
EXPENSES			
Functional Expenses			
Program services	3,164,582	-	3,164,582
Management and general	564,751	-	564,751
Total Functional Expenses	<u>3,729,333</u>	<u>-</u>	<u>3,729,333</u>
Assistance to Individuals	<u>500,260</u>	<u>-</u>	<u>500,260</u>
TOTAL EXPENSES	<u>4,229,593</u>	<u>-</u>	<u>4,229,593</u>
CHANGE IN NET ASSETS	(29,893)	3,776	(26,117)
NET ASSETS, beginning	<u>861,750</u>	<u>30,302</u>	<u>892,052</u>
NET ASSETS, ending	<u>\$ 831,857</u>	<u>\$ 34,078</u>	<u>\$ 865,935</u>

The accompanying notes to financial statements are an integral part of this statement.

2015

<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTALS</u>
\$ 30,771	\$ -	\$ 30,771
100,000	-	100,000
-	17,066	17,066
195,667	17,647	213,314
<u>19,854</u>	<u>434,289</u>	<u>454,143</u>
<u>346,292</u>	<u>469,002</u>	<u>815,294</u>
1,507,708	-	1,507,708
810,394	-	810,394
35,136	-	35,136
27,705	-	27,705
50,084	-	50,084
16,555	-	16,555
1,760	-	1,760
33,810	-	33,810
<u>(15,865)</u>	<u>-</u>	<u>(15,865)</u>
<u>2,467,287</u>	<u>-</u>	<u>2,467,287</u>
<u>454,865</u>	<u>(454,865)</u>	<u>-</u>
<u>3,268,444</u>	<u>14,137</u>	<u>3,282,581</u>
2,367,594	-	2,367,594
<u>427,390</u>	<u>-</u>	<u>427,390</u>
2,794,984	-	2,794,984
<u>451,303</u>	<u>-</u>	<u>451,303</u>
<u>3,246,287</u>	<u>-</u>	<u>3,246,287</u>
22,157	14,137	36,294
<u>839,593</u>	<u>16,165</u>	<u>855,758</u>
<u>\$ 861,750</u>	<u>\$ 30,302</u>	<u>\$ 892,052</u>

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC. AND SUBSIDIARY
For the year ended June 30, 2016

	2016		
	<u>FEEP</u>	<u>TRANSITIONAL JOBS</u>	<u>IMMIGRANT PROGRAMS</u>
FUNCTIONAL EXPENSES			
Salaries and Related Expenses			
Salaries	\$ 1,499,152	\$ 137,316	\$ 91,838
Employee benefits	278,352	9,786	6,198
Payroll taxes	<u>125,150</u>	<u>13,495</u>	<u>7,206</u>
Total Salaries and Related Expenses	<u>1,902,654</u>	<u>160,597</u>	<u>105,242</u>
Other Expenses			
Audit fees	-	-	-
Auto expense	1,891	-	(41)
Conferences, conventions, and meetings	47,202	560	1,948
Dues and subscriptions	2,186	20	915
Fund-raising expenses	-	-	-
Grant reimbursement expense	6,588	-	-
Insurance	9,738	-	450
Occupancy	46,472	2,897	1,509
Postage and shipping	10,578	-	819
Printing and publications	22,131	1,543	1,070
Professional services	116,505	8,320	540
Program expenses	201,290	13,619	2,749
Repairs and equipment maintenance	14,074	-	777
Rent - equipment	6,784	-	356
Supplies	28,192	2,395	1,052
Telephone	87,823	1,830	2,417
Travel	<u>108,360</u>	<u>5,464</u>	<u>5,556</u>
Total Other Expenses	<u>709,814</u>	<u>36,648</u>	<u>20,117</u>
Total Expenses Before Depreciation	2,612,468	197,245	125,359
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 2,612,468</u>	<u>\$ 197,245</u>	<u>\$ 125,359</u>

The accompanying notes to financial statements are an integral part of this statement.

2016

<u>HOME STABILITY</u>	<u>TOTAL PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>TOTALS</u>
\$ 144,026	\$ 1,872,332	\$ 264,532	\$ 2,136,864
47,698	342,034	84,496	426,530
<u>11,318</u>	<u>157,169</u>	<u>26,472</u>	<u>183,641</u>
<u>203,042</u>	<u>2,371,535</u>	<u>375,500</u>	<u>2,747,035</u>
-	-	15,500	15,500
109	1,959	381	2,340
4,913	54,623	20,400	75,023
154	3,275	3,002	6,277
-	-	25,387	25,387
-	6,588	-	6,588
1,156	11,344	563	11,907
2,469	53,347	3,331	56,678
976	12,373	1,999	14,372
1,733	26,477	4,602	31,079
2,025	127,390	69,137	196,527
1,134	218,792	7,369	226,161
1,298	16,149	5,257	21,406
556	7,696	702	8,398
1,280	32,919	4,050	36,969
3,900	95,970	8,146	104,116
<u>4,765</u>	<u>124,145</u>	<u>6,962</u>	<u>131,107</u>
<u>26,468</u>	<u>793,047</u>	<u>176,788</u>	<u>969,835</u>
229,510	3,164,582	552,288	3,716,870
-	-	12,463	12,463
<u>\$ 229,510</u>	<u>\$ 3,164,582</u>	<u>\$ 564,751</u>	<u>\$ 3,729,333</u>

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC. AND SUBSIDIARY
For the year ended June 30, 2015

	2015		
	<u>FEEP</u>	<u>TRANSITIONAL JOBS</u>	<u>IMMIGRANT PROGRAMS</u>
FUNCTIONAL EXPENSES			
Salaries and Related Expenses			
Salaries	\$ 1,073,694	\$ 167,776	\$ 76,144
Employee benefits	195,298	5,189	4,256
Payroll taxes	<u>89,974</u>	<u>16,346</u>	<u>6,474</u>
Total Salaries and Related Expenses	<u>1,358,966</u>	<u>189,311</u>	<u>86,874</u>
Other Expenses			
Audit fees	-	-	-
Auto expense	574	-	138
Conferences, conventions, and meetings	27,149	95	2,657
Dues and subscriptions	2,273	30	899
Fund-raising expenses	-	-	-
Grant reimbursement expense	15,078	-	-
Insurance	5,139	-	617
Occupancy	31,248	-	1,634
Postage and shipping	6,412	-	883
Printing and publications	14,425	205	1,055
Professional services	98,928	12,246	1,040
Program expenses	113,687	1,022	2,565
Repairs and equipment maintenance	22,763	-	1,954
Rent - equipment	5,928	-	393
Supplies	16,695	914	2,000
Telephone	55,029	2,358	2,535
Travel	<u>73,434</u>	<u>2,357</u>	<u>3,238</u>
Total Other Expenses	<u>488,762</u>	<u>19,227</u>	<u>21,608</u>
Total Expenses Before Depreciation	1,847,728	208,538	108,482
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 1,847,728</u>	<u>\$ 208,538</u>	<u>\$ 108,482</u>

The accompanying notes to financial statements are an integral part of this statement.

2015

<u>HOME STABILITY</u>	<u>TOTAL PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>TOTALS</u>
\$ 141,744	\$ 1,459,358	\$ 188,766	\$ 1,648,124
29,035	233,778	53,298	287,076
<u>11,533</u>	<u>124,327</u>	<u>14,335</u>	<u>138,662</u>
<u>182,312</u>	<u>1,817,463</u>	<u>256,399</u>	<u>2,073,862</u>
-	-	13,320	13,320
48	760	5,909	6,669
119	30,020	18,052	48,072
122	3,324	4,970	8,294
-	-	13,266	13,266
-	15,078	-	15,078
843	6,599	675	7,274
2,255	35,137	2,235	37,372
1,158	8,453	12,442	20,895
1,155	16,840	11,374	28,214
2,877	115,091	51,312	166,403
2,006	119,280	7,541	126,821
3,149	27,866	3,906	31,772
607	6,928	485	7,413
2,179	21,788	2,135	23,923
3,297	63,219	4,441	67,660
<u>719</u>	<u>79,748</u>	<u>5,822</u>	<u>85,570</u>
<u>20,534</u>	<u>550,131</u>	<u>157,885</u>	<u>708,016</u>
202,846	2,367,594	414,284	2,781,878
-	-	13,106	13,106
<u>\$ 202,846</u>	<u>\$ 2,367,594</u>	<u>\$ 427,390</u>	<u>\$ 2,794,984</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS
CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC. AND SUBSIDIARY
For the years ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (26,117)	\$ 36,294
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	12,463	13,106
Realized and unrealized (gain) loss on investments	(725)	15,865
(Increase) decrease in assets:		
Accounts receivable	3,235	(2,194)
Grant and contract receivable	(203,880)	(41,866)
Prepaid expenses	-	18,001
Increase (decrease) in liabilities:		
Accounts payable	66,764	14,332
Accrued payroll taxes and withholding	20,311	(10,298)
Deferred revenue	68,713	147,982
Client deposits	2,774	304,588
Accrued compensated absences	21,448	7,243
	<u>(35,014)</u>	<u>503,053</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(48,680)	(10,688)
Proceeds from sale of investments	-	87,000
Purchase of investments	(29,865)	(33,803)
	<u>(78,545)</u>	<u>42,509</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH	(113,559)	545,562
CASH AND CASH EQUIVALENTS, beginning	<u>810,943</u>	<u>265,381</u>
CASH AND CASH EQUIVALENTS, ending	<u>\$ 697,384</u>	<u>\$ 810,943</u>

The accompanying notes to financial statements are an integral part of this statement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC. AND SUBSIDIARY
June 30, 2016 and 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Catholic Charities of the Diocese of Pueblo, Inc. (the Organization) was incorporated April 6, 1944. The mission of the Organization is to enhance the dignity and self worth of individuals and families through the provision of services that respond to the physical, spiritual, emotional and economical needs of those served and to collaborate with the communities of Southern Colorado to solve social problems and to work to bring about systemic change so that justice is attained. The Organization is organized exclusively for charitable and educational purposes. Catholic Charities of the Diocese of Pueblo Works Corp., a wholly owned subsidiary of the Organization, provides services through grant funding that compliments the operations of the Organization. The subsidiary began providing services in January 2014.

Basis of Accounting and Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or passage of time.

Principles of Consolidation

The consolidated financial statements include Catholic Charities of the Diocese of Pueblo Works Corp., a wholly owned subsidiary of the Organization, that was formed January 2014. All significant intercompany transactions are eliminated.

Income Tax Status

The Organization is organized under Section 501(c)(3) of the Internal Revenue Code as a non-profit, tax-exempt organization. The Organization does not believe there are any material uncertain tax positions and, accordingly, it has not recognize any liability for unrecognized tax benefits.

The Organization's and it's subsidiary's federal Exempt Organization Business Income Tax Returns (Form 990) for 2013, 2014, 2015 and 2016 are subject to examination by the IRS, generally for three years after they were filed.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC. AND SUBSIDIARY
June 30, 2016 and 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

It is the Organization's policy to capitalize property and equipment over \$750. Property and equipment are recorded at cost or, in the case of donated assets, at the fair market value on the date of donation. Depreciation is provided over estimated useful lives of three to thirty-nine years on a straight-line basis.

Client Deposits

The Organization provides cash management and immigration services to clients. Cash management services include collection of client funds and payment of client expenses and debts. Immigration services include collection of client funds and payment of attorney fees on behalf of the client. At June 30, 2016 and 2015, the Organization was holding \$369,502 and \$366,728 respectively, of client funds.

Accrued Compensated Absences

The Organization and its subsidiary provide vacation leave benefits to eligible employees. Vacation benefits are earned by employees based upon their years of service and range from ten to twenty days. Part-time employees earned hours will vary based on hours worked. The maximum amount of hours that can be accumulated is 160. Upon separation from service, employees are paid for unused vacation leave.

The Organization and its subsidiary provide sick leave benefits to all eligible employees. Full-time employees earn 8 hours and part-time employees vary depending on worked hours for each month of employment completed. The maximum amount of hours that can be accumulated is 200. Accumulated sick leave benefits are not paid upon separation.

Accrued compensated absences at June 30, 2016 and 2015 were \$78,405 and \$56,957, respectively.

Retirement Plan

The Organization offers a tax shelter annuity plan to employees. Plan benefits are available to employees who work 20 hours or more per week and who have worked a full six months. The Organization matches contributions at 5% of the employee's gross salary up to \$100 per month. The Organization's contributions for the years ended June 30, 2016 and 2015, were \$33,290 and \$30,250, respectively.

Public Support and Revenue

Unrestricted contributions received for the Organization's programs are recognized as support when received.

Assistance grant awards and contributions that are restricted are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other contributions are reported as an increase in temporarily restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Consolidated Statements of Activities and in the Consolidated Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC. AND SUBSIDIARY
June 30, 2016 and 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Conservatorship

The Organization sometimes agrees to serve as a court appointed conservator. Any fees earned are recognized as income when received. The Organization has certain fiduciary responsibilities in this capacity but the conservatorship's assets are not in the possession of or controlled by the Organization.

The conservatorship's assets are held in separate accounts at various financial institutions. The Organization serves approximately 4 to 8 clients whose total assets at June 30, 2016 and 2015 totaled \$109,080 and \$121,014, respectively. Fees earned for conservator responsibilities for the years ended June 30, 2016 and 2015 approximated \$1,440 and \$3,655, respectively, which is recorded as money management revenue.

Business and Credit Concentration

The Organization's cash in financial institutions exceeded the federally insured limit of \$250,000 at June 30, 2016 and at various times throughout the year then ended.

The Organization and its subsidiary receives funding from Federal, State and foundation grants which may be subject to regulatory or other oversight by various government or granting agencies. Such oversight may include audit or other compliance procedures. Any adjustments made by a granting agency would become a liability of the Organization. On February 26, 2016, the Agency was notified by the Colorado Department of Human Services that the Division of Financial Integrity determined \$15,078 in salary and fringe benefits was unallowable costs for the Maternal, Infant, and Early Childhood Home Visiting (MIECHV) Program. This amount was included in accounts payable at June 30, 2015 as these costs were incurred prior to that date. Included in accounts payable at June 30, 2016 was \$6,588 in salary and fringe benefits that was unallowable costs for the Maternal, Infant, and Early Childhood Home Visiting (MIECHV) Program. All funds have been refunded.

Fair Value Measurements

FASB ASC 820-10, *Fair Value Measurement*, defines fair value, established a framework for measuring fair value, establishes a three-level valuation hierarchy for disclosure of fair value measurement and enhances disclosure requirements for fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of the fair value of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1** - Represented by quoted prices that are available in an active market. Level 1 securities include highly liquid government bonds, treasury securities, mortgage products and exchange traded equities.
- Level 2** - Represented by assets and liabilities similar to level 1 where quoted prices are not available, but are observable, either directly or indirectly through corroboration with observable market data and estimated using pricing models or discounted cash flows.
- Level 3** - Represented by financial instruments where there is limited activity or unobservable market prices and pricing models significant to determining the fair value measurement include the reporting entity's own assumptions about the market risks.

The market approach was used to determine the fair values. The inputs and methodology used for valuing the Company's financial assets and liabilities are not indicators of the risks associated with those instruments.

Reclassifications

Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation. These reclassifications had no effect on the increase in net assets for 2015.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC. AND SUBSIDIARY
June 30, 2016 and 2015

NOTE B - INVESTMENTS

Investments are presented in the financial statement at their market value. The investments consisted of the following at June 30:

	2016		
	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>	<u>Estimated Market Value</u>
Equity mutual funds	\$ 342,287	\$ 179,911	\$ 522,198
	2015		
Equity mutual funds	\$ 312,421	\$ 179,187	\$ 491,608

The following schedule summarizes investment return for the years ended June 30:

	2016	2015
Dividends	\$ 10,380	\$ 10,360
Capital gain distributions	19,494	23,443
Interest income	17	7
Total Investment Income	\$ 29,891	\$ 33,810
Realized gain (loss)	-	16,557
Unrealized gain (loss)	725	(32,422)
Total Investment Return	\$ 30,616	\$ 17,945

NOTE C - PROPERTY AND EQUIPMENT

Property and equipment at June 30, consisted of the following:

	2016	2015
Leasehold improvements	\$ 119,222	\$ 119,222
Office furniture and equipment	237,067	188,387
Vehicle	14,198	14,198
Total Property and Equipment	370,487	321,807
Less: accumulated depreciation	253,133	240,670
Net Property and Equipment	\$ 117,354	\$ 81,137

Depreciation expense for the years ended June 30, 2016 and 2015 was \$12,463 and \$13,106, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC. AND SUBSIDIARY
June 30, 2016 and 2015

NOTE D - ACCRUED EXPENSES

Accrued expenses consisted of the following at June 30:

	<u>2016</u>	<u>2015</u>
Payroll taxes and withholding	\$ 20,734	\$ 8,378
Salaries	<u>7,955</u>	<u>-</u>
Total Accrued Expenses	<u>\$ 28,689</u>	<u>\$ 8,378</u>

NOTE E - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of unexpended funds from the following sources at June 30:

	<u>2016</u>	<u>2015</u>
Aid To The Needy Grant	\$ 1,283	\$ 760
Cares	7,751	1,465
Colorado Community Response Program	80	-
Disaster Relief Donations	4,501	3,000
DSS / HB1451	898	1,075
ECE funds	5,836	-
Emergency Food and Shelter Program	70	70
Energy Outreach Colorado	320	6,306
DSS-Assistance	1,915	1,872
Pueblo Deanery Assistance	2,183	5,754
Various foundations-Supplies and operating expenses	<u>9,241</u>	<u>10,000</u>
Total Temporarily Restricted Net Assets	<u>\$ 34,078</u>	<u>\$ 30,302</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors as follows for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Cares	\$ 100,022	\$ 107,695
Colorado Community Response Program	27,520	-
Community Problem Solving	-	-
Disaster Relief Donations	4,000	2,588
DSS / HB1451	41,731	40,515
DSS / Assistance	20,456	11,878
Emergency Food and Shelter Program	25,430	-
Energy Outreach Colorado	249,410	274,745
Pueblo Deanery	18,446	17,444
Various foundations-Supplies and operating expenses	<u>10,161</u>	<u>-</u>
Total Restrictions Released	<u>\$ 497,176</u>	<u>\$ 454,865</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC. AND SUBSIDIARY
 June 30, 2016 and 2015

NOTE F - OPERATING LEASE COMMITMENTS

On May 23, 2013, the Organization entered into two leases with Great America Financial Services for a Canon copiers. The lease terms are sixty and thirty nine months starting June 23, 2013 and November 17, 2014 and requires monthly lease payments of \$393.07 and \$92.00, respectively. On May 9, 2014, the Organization entered into a lease with Canon Financial services for graphics equipment. The lease is forty months starting May 9, 2014 and required monthly lease payments of \$141.34. The amount of the lease expense reported was \$7,518 and \$6,413 for the years ended June 30, 2016 and 2015.

The existing office lease expired July 31, 2014 and the lease is for twelve months for \$1. As part of the agreement, the Organization agreed to provide janitorial, trash removal and general building maintenance. The expenses reported for those items are reported in various categories and was \$20,115 and \$15,185 for the years ended June 30, 2016 and 2015, respectively. On August 1, 2014, the lease was extended with the same provisions and expires July 31, 2016.

The Organization entered into two leases with LDC Properties for office space at 516 and 614-618 N. Main Street. The lease terms are 12 months beginning September 2015 and April 2016 and required monthly lease payments of \$1,250 and \$670, respectively. The amount of the lease expenses reported was \$17,365 and reported in occupancy expense.

Future minimum lease payments are as follows as of June 30, 2016:

	<u>Office Space</u>	<u>Copier</u>	<u>Graphics Equipment</u>
2017	\$ 10,450	\$ 5,821	\$ 1,696
2018	-	4,968	283
	<u>\$ 10,450</u>	<u>\$ 10,789</u>	<u>\$ 1,979</u>

NOTE G - BOARD DESIGNATED NET ASSETS

Unrestricted net assets included funds which have been designated by the governing board for specific purposes. The following board designations existed as of June 30:

	<u>2016</u>	<u>2015</u>
Operating reserve	\$ 520,000	\$ 520,000

NOTE H - FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at June 30, 2016 are as follows:

	<u>Quoted Prices in Active Markets for Identical Assets Level 1</u>	<u>Significant Other Observable Inputs Level 2</u>	<u>Significant Unobservable Inputs Level 3</u>
Investments	\$ 522,198	\$ -	\$ -

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC. AND SUBSIDIARY
June 30, 2016 and 2015

NOTE I - SUBSEQUENT EVENTS

The Organization is subject to the provisions of ASC Topic 855, Subsequent Events, which establishes a requirement for disclosing the date through which subsequent events have been evaluated, as well as whether that date is the date the financial statements were issued or the date the financial statements were available to be issued. The Organization has evaluated subsequent events through February 26, 2017 and the financial statements were available to be issued March 2017.

SUPPLEMENTAL INFORMATION

COMPARATIVE SCHEDULE OF FUNCTIONAL EXPENSES
CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC. AND SUBSIDIARY
For the years ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>	<u>VARIANCES</u>	
			<u>DOLLAR</u> <u>AMOUNT</u>	<u>PERCENT</u>
Salaries	\$ 2,136,864	\$ 1,648,124	\$ 488,740	29.7%
Payroll taxes	426,530	287,076	139,454	48.6%
Benefits	<u>183,641</u>	<u>138,662</u>	<u>44,979</u>	32.4%
TOTAL SALARIES AND BENEFITS	<u>2,747,035</u>	<u>2,073,862</u>	<u>673,173</u>	32.5%
Auto expense	2,340	6,669	(4,329)	(64.9)%
Conferences, conventions, and meetings	75,023	48,072	26,951	56.1%
Depreciation	12,463	13,106	(643)	(4.9)%
Dues and subscriptions	6,277	8,294	(2,017)	(24.3)%
Fund-raising expenses	25,387	13,266	12,121	91.4%
Grant reimbursement expense	6,588	15,078	(8,490)	(56.3)%
Insurance	11,907	7,274	4,633	63.7%
Occupancy	56,678	37,372	19,306	51.7%
Postage and shipping	14,372	20,895	(6,523)	(31.2)%
Printing and publications	31,079	28,214	2,865	10.2%
Professional fees	212,027	179,723	32,304	18.0%
Program expenses	226,161	126,821	99,340	78.3%
Repairs and maintenance	21,406	31,772	(10,366)	(32.6)%
Rent-equipment	8,398	7,413	985	13.3%
Supplies	36,969	23,923	13,046	54.5%
Telephone	104,116	67,660	36,456	53.4%
Travel	<u>131,107</u>	<u>85,570</u>	<u>45,537</u>	53.2%
TOTAL FUNCTIONAL EXPENSES	<u>\$ 3,729,333</u>	<u>\$ 2,794,984</u>	<u>\$ 934,349</u>	33.4%

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC. AND SUBSIDIARY
 June 30, 2016

<u>ASSETS</u>	<u>Catholic Charities Inc.</u>	<u>Catholic Charities Works Corp.</u>	<u>Inter Company Eliminations</u>	<u>Totals</u>
Cash and cash equivalents	\$ 690,017	\$ 7,367	-	\$ 697,384
Investments	522,198	-	-	522,198
Accounts receivable, net of allowance for doubtful accounts	60,922	-	(59,038)	1,884
Grant and contract receivables	403,220	60,583	-	463,803
Property and equipment, net of accumulated depreciation	117,354	-	-	117,354
Investment in subsidiary	<u>(8,008)</u>	<u>-</u>	<u>8,008</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 1,785,703</u>	<u>\$ 67,950</u>	<u>\$ (51,030)</u>	<u>\$ 1,802,623</u>
 <u>LIABILITIES AND NET ASSETS</u>				
LIABILITIES				
Accounts payable	\$ 92,736	\$ 60,019	\$ (59,038)	\$ 93,717
Accrued expenses	16,394	12,295	-	28,689
Deferred revenue	366,375	-	-	366,375
Client deposits	369,502	-	-	369,502
Accrued compensated absences	<u>74,761</u>	<u>3,644</u>	<u>-</u>	<u>78,405</u>
TOTAL LIABILITIES	<u>919,768</u>	<u>75,958</u>	<u>(59,038)</u>	<u>936,688</u>
NET ASSETS				
Unrestricted	311,857	(8,008)	8,008	311,857
Board designated	<u>520,000</u>	<u>-</u>	<u>-</u>	<u>520,000</u>
Total Unrestricted	831,857	(8,008)	8,008	831,857
Temporarily Restricted	<u>34,078</u>	<u>-</u>	<u>-</u>	<u>34,078</u>
TOTAL NET ASSETS	<u>865,935</u>	<u>(8,008)</u>	<u>8,008</u>	<u>865,935</u>
TOTAL LIABILITIES AND NET	<u>\$ 1,785,703</u>	<u>\$ 67,950</u>	<u>\$ (51,030)</u>	<u>\$ 1,802,623</u>

The accompanying notes to financial statements are an integral part of this statement.

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC. AND SUBSIDIARY
June 30, 2015

<u>ASSETS</u>	<u>Catholic Charities Inc.</u>	<u>Catholic Charities Works Corp.</u>	<u>Inter Company Eliminations</u>	<u>Totals</u>
Cash and cash equivalents	\$ 788,689	\$ 22,254	-	\$ 810,943
Investments	491,608	-	-	491,608
Accounts receivable, net of allowance for doubtful accounts	64,736	-	(59,617)	5,119
Grant and contract receivables	223,977	35,946	-	259,923
Prepaid expenses	-	-	-	-
Property and equipment, net of accumulated depreciation	81,137	-	-	81,137
Investment in subsidiary	(4,143)	-	4,143	-
TOTAL ASSETS	<u>\$ 1,646,004</u>	<u>\$ 58,200</u>	<u>\$ (55,474)</u>	<u>\$ 1,648,730</u>
 <u>LIABILITIES AND NET ASSETS</u>				
LIABILITIES				
Accounts payable	\$ 26,953	\$ 59,617	\$ (59,617)	\$ 26,953
Accrued expenses	5,652	2,726	-	8,378
Deferred revenue	297,662	-	-	297,662
Client deposits	366,728	-	-	366,728
Accrued compensated absences	56,957	-	-	56,957
TOTAL LIABILITIES	<u>753,952</u>	<u>62,343</u>	<u>(59,617)</u>	<u>756,678</u>
NET ASSETS				
Unrestricted	341,750	(4,143)	4,143	341,750
Board designated	520,000	-	-	520,000
Total Unrestricted	861,750	(4,143)	4,143	861,750
Temporarily Restricted	<u>30,302</u>	<u>-</u>	<u>-</u>	<u>30,302</u>
TOTAL NET ASSETS	<u>892,052</u>	<u>(4,143)</u>	<u>4,143</u>	<u>892,052</u>
TOTAL LIABILITIES AND NET	<u>\$ 1,646,004</u>	<u>\$ 58,200</u>	<u>\$ (55,474)</u>	<u>\$ 1,648,730</u>

The accompanying notes to financial statements are an integral part of this statement.

CONSOLIDATING STATEMENTS OF ACTIVITIES
CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC. AND SUBSIDIARY
June 30, 2016

<u>SUPPORT AND REVENUES</u>	Catholic Charities Inc.	Catholic Charities Works Corp.	Inter Company Eliminations	Totals
Support				
United Way allocations	\$ 30,530	\$ -	\$ -	\$ 30,530
Diocesan Ministry Fund support	100,000	-	-	100,000
Pueblo Deanery support	13,316	-	-	13,316
Contributions	257,259	-	-	257,259
Assistance programs	<u>503,410</u>	<u>-</u>	<u>-</u>	<u>503,410</u>
Total Support	<u>904,515</u>	<u>-</u>	<u>-</u>	<u>904,515</u>
Revenues				
Contract grants	1,984,494	248,114	-	2,232,608
County and private grants	912,187	-	-	912,187
Immigration service fees	23,941	-	-	23,941
Other fees	18,546	-	-	18,546
Money management fees	46,340	-	-	46,340
Special event, net of costs \$2,063	31,080	-	-	31,080
Miscellaneous revenues	3,643	-	-	3,643
Reimbursed expenses	54,734	-	(54,734)	-
Investment income	29,891	-	-	29,891
Subsidiary income (loss)	(3,865)	-	3,865	-
Net realized and unrealized gain (loss) on investments	<u>725</u>	<u>-</u>	<u>-</u>	<u>725</u>
Total Revenues	<u>3,101,716</u>	<u>248,114</u>	<u>(50,869)</u>	<u>3,298,961</u>
TOTAL SUPPORT AND REVENUES	<u>4,006,231</u>	<u>248,114</u>	<u>(50,869)</u>	<u>4,203,476</u>
EXPENSES				
Functional Expenses				
Program Services	2,967,337	225,395	(28,150)	3,164,582
Management and general	<u>564,751</u>	<u>26,584</u>	<u>(26,584)</u>	<u>564,751</u>
Total Functional Expenses	3,532,088	251,979	(54,734)	3,729,333
Assistance to Individuals	<u>500,260</u>	<u>-</u>	<u>-</u>	<u>500,260</u>
TOTAL EXPENSES	<u>4,032,348</u>	<u>251,979</u>	<u>(54,734)</u>	<u>4,229,593</u>
CHANGE IN NET ASSETS	(26,117)	(3,865)	3,865	(26,117)
NET ASSETS, beginning	<u>892,052</u>	<u>(4,143)</u>	<u>4,143</u>	<u>892,052</u>
NET ASSETS, ending	<u>\$ 865,935</u>	<u>\$ (8,008)</u>	<u>\$ 8,008</u>	<u>\$ 865,935</u>

The accompanying notes to financial statements are an integral part of this statement.

CONSOLIDATING STATEMENTS OF ACTIVITIES
CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC. AND SUBSIDIARY
June 30, 2015

SUPPORT AND REVENUES	Catholic Charities Inc.	Catholic Charities Works Corp.	Inter Company Eliminations	Totals
Support				
United Way allocations	\$ 30,771	\$ -	\$ -	\$ 30,771
Diocesan Ministry Fund support	100,000	-	-	100,000
Pueblo Deanery support	17,066	-	-	17,066
Contributions	213,314	-	-	213,314
Assistance programs	454,143	-	-	454,143
Total Support	<u>815,294</u>	<u>-</u>	<u>-</u>	<u>815,294</u>
Revenues				
Contract grants	1,243,998	263,710	-	1,507,708
County and private grants	810,394	-	-	810,394
Immigration service fees	35,136	-	-	35,136
Other fees	27,705	-	-	27,705
Money management fees	50,084	-	-	50,084
Special event, net of costs \$11,629	16,555	-	-	16,555
Miscellaneous revenues	1,392	368	-	1,760
Reimbursed expenses	59,206	-	(59,206)	-
Investment income	33,810	-	-	33,810
Subsidiary income (loss)	(3,666)	-	3,666	-
Net realized and unrealized gain (loss) on investments	(15,865)	-	-	(15,865)
Total Revenues	<u>2,258,749</u>	<u>264,078</u>	<u>(55,540)</u>	<u>2,467,287</u>
TOTAL SUPPORT AND REVENUES	<u>3,074,043</u>	<u>264,078</u>	<u>(55,540)</u>	<u>3,282,581</u>
EXPENSES				
Functional Expenses				
Program Services	2,159,056	239,489	(30,951)	2,367,594
Management and general	427,390	28,255	(28,255)	427,390
Total Functional Expenses	<u>2,586,446</u>	<u>267,744</u>	<u>(59,206)</u>	<u>2,794,984</u>
Assistance to Individuals	<u>451,303</u>	<u>-</u>	<u>-</u>	<u>451,303</u>
TOTAL EXPENSES	<u>3,037,749</u>	<u>267,744</u>	<u>(59,206)</u>	<u>3,246,287</u>
CHANGE IN NET ASSETS	36,294	(3,666)	3,666	36,294
NET ASSETS, beginning	<u>855,758</u>	<u>(477)</u>	<u>477</u>	<u>855,758</u>
NET ASSETS, ending	<u>\$ 892,052</u>	<u>\$ (4,143)</u>	<u>\$ 4,143</u>	<u>\$ 892,052</u>

The accompanying notes to financial statements are an integral part of this statement.

COMPLIANCE SECTION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC. AND SUBSIDIARY
 June 30, 2016

	<u>CFDA Number</u>	<u>Contract Pass through Number</u>	<u>Passed Through to Subrecipients</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development (HUD)</u>				
Passed through Catholic Charities USA				
Housing Counseling Assistance Program	14.169	HC140011017		\$ 20,925
Passed through City of Pueblo				
Community Development Block Grant/ Entitlement Grant	14.218	CD156		<u>24,536</u>
Total Department of Housing and Urban Development (HUD)				<u><u>45,461</u></u>
<u>U.S. Department of Justice</u>				
Passed through Catholic Charities USA				
Juvenile Mentoring Program	16.726	2012-JU-FX-0005		<u>5,160</u>
<u>U.S. Department of Health and Human Services</u>				
Passed through State Department of Human Services				
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	IHA MIEC1461295 IHA MIEC1461296 16IHIA83533 16IHIA83534 16IHIA6481		1,085,166
Passed through Early Learning Ventures				
Head Start	93.600			<u>24,113</u>
Total Department of Health and Human Services				<u><u>1,109,279</u></u>
<u>Corporation for National and Community Service</u>				
Passed through Colorado Child and Parent Foundation				
AmeriCorps	94.006			<u>68,662</u>
<u>Department of Homeland Security</u>				
Emergency Food and Shelter National Board Program	97.024			<u>25,429</u>
TOTAL FEDERAL EXPENDITURES				<u><u>\$ 1,253,991</u></u>

The accompanying notes to financial statements are an integral part of this schedule.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC. AND SUBSIDIARY
June 30, 2016

NOTE A - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Catholic Charities of the Diocese of Pueblo, Inc., and its subsidiary and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance.

NOTE B - RISK BASED AUDIT APPROACH

The dollar threshold used to distinguish between Type A and Type B programs is \$750,000. The Organization does qualify as a low-risk auditee.

NOTE C - SUBRECIPIENTS

The Organization had no awards passed through to subrecipients.

NOTE D - INDIRECT COSTS

The Organization has elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Catholic Charities of the Diocese of Pueblo, Inc. and subsidiary
Pueblo, Colorado

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 consolidated statement of financial position, the consolidated statement of activities, the consolidated statement of functional expenses and the consolidated statement of cash flows of Catholic Charities of the Diocese of Pueblo, Inc. and subsidiary, as of and for the year ended June 30, 2015 and the related notes to the consolidated financial statements, which collectively comprise Catholic Charities of the Diocese of Pueblo, Inc. and subsidiary's basic consolidated financial statements and have issued our report thereon dated February 26, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Catholic Charities of the Diocese of Pueblo, Inc.'s and subsidiary'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Catholic Charities of the Diocese of Pueblo, Inc. and subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of Catholic Charities of the Diocese of Pueblo, Inc.'s and subsidiary'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Catholic Charities of the Diocese of Pueblo, Inc. and subsidiary's consolidated 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*.

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.

McPherson, Bryffers, Ducloux & Goodrich, PC

February 26, 2017



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

Board of Directors
Catholic Charities of the Diocese of Pueblo, Inc. and subsidiary
Pueblo, Colorado

Report on Compliance for Each Major Federal Program

We have audited Catholic Charities of the Diocese of Pueblo, Inc. and subsidiary's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Catholic Charities of the Diocese of Pueblo, Inc. and Subsidiary's major federal programs for the year ended June 30, 2016. Catholic Charities of the Diocese of Pueblo, Inc. and Subsidiary's major federal program is identified in the summary of auditor's 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 federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Catholic Charities of the Diocese of Pueblo, Inc. and subsidiary's major federal 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 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). Those standards and the Uniform Guidance 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 federal program occurred. An audit includes examining, on a test basis, evidence about Catholic Charities of the Diocese of Pueblo, Inc. and subsidiary'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 federal program. However, our audit does not provide a legal determination of Catholic Charities of the Diocese of Pueblo, Inc. and subsidiary's compliance.

Opinion on Each Major Federal Program

In our opinion, Catholic Charities of the Diocese of Pueblo, Inc. and subsidiary complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of Catholic Charities of the Diocese of Pueblo, Inc. and subsidiary 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 Catholic Charities of the Diocese of Pueblo, Inc. and subsidiary's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Catholic Charities of the Diocese of Pueblo, Inc. and subsidiary'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 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 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

McPherson, Prueff, Ducloux & Goodrich, PC

February 26, 2017

**CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC. AND SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

FINANCIAL STATEMENTS

An unmodified opinion was rendered on the consolidated financial statements of Catholic Charities of the Diocese of Pueblo, Inc. and subsidiary as of and for the year ended June 30, 2016 in accordance with generally accepted accounting principles.

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

FEDERAL AWARDS

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

An unmodified opinion on compliance for major programs was issued.

Any audit findings disclosed that are required to be reported in accordance with Section 2CFR 200.516(a)? _____ Yes X No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
93.505	Affordable Care Act Maternal, Infant and Early Childhood Home Visiting Program

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee. X Yes _____ No

FINANCIAL STATEMENT FINDINGS

No financial statement findings were noted that require reporting in accordance with Government Auditing Standards.

FEDERAL AWARD FINDINGS

No federal award findings were noted that require reporting in accordance with the Uniform Guidance.

**CATHOLIC CHARITIES OF THE DIOCESE OF PUEB, INC. AND SUBSIDIARY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2016**

FINDING 2015-1 INTERNAL CONTROL OVER FINANCIAL REPORTING

Criteria or Specific Requirements

The board of directors and management are responsible for establishing and maintaining internal control over financial reporting (internal control). In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or misappropriation, that transactions are executed in accordance with management's authorization, and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Catholic Charities internal controls over financial reporting were considered deficient in certain aspects because of the lack of appropriate recognition of contingent liabilities in its financial reporting as required under generally accepted accounting principles.

Context/Effect/Cause

Subsequent to Catholic Charities' year end of June 30, 2015, and subsequent to the completion of the field work portion of the June 30, 2015 financial and compliance audit of Catholic Charities (approximately January 15, 2016) but prior to the release date of the June 30, 2015 financial and compliance audit of Catholic Charities (February 26, 2016), Catholic Charities was informed by the U.S. Department of Health and Human Services through the Colorado Department of Human Services that the U.S. Department of Health and Human Services was disallowing \$15,038 of costs charged by Catholic Charities to their grant (HRSA Affordable Care Act Maternal, Infant and Early Childhood Home Visiting Program grant number X02MC26309) during the period October 1, 2013 through January 31, 2015. The disallowance of these costs was the result of a Catholic Charities' employee being excluded from participation in federal grant programs during the applicable period of time. Salaries and benefits of the particular Catholic Charities employee totaling \$15,038 were charged to the grant during the October 1, 2013 through January 31, 2015 time frame.

Given the above circumstances, generally accepted accounting principles requires that such a contingent liability be recognized in the financial statements as a liability since it is probable of loss. In addition, Catholic Charities would need to provide appropriate disclosures in its financial statement footnotes as required by generally accepted accounting principles. Catholic Charities did not recognize this contingent liability in its financial statements, nor provide any related footnote disclosures as required by generally accepted accounting principles.

For the most part, this situation was the result of the general lack of understanding of generally accepted accounting principles relative to the appropriate accounting for contingencies by Catholic Charities personnel. It should be noted, however, that Catholic Charities, in working with its grantor (the Colorado Department of Human Services), was of the view that no such request for reimbursement to the U.S. Department of Health and Human Services was forthcoming because approximately one year had passed since personnel from the Colorado Department of Human Services notified the federal program officer and grants management officer of the circumstances surrounding the employee involved.

Recommendation

We recommended Catholic Charities' personnel be cognizant and aware of the accounting and financial ramifications associated with contingencies. Generally accepted accounting principles necessitate the consideration of the financial reporting consequences of contingencies and other estimates in preparing financial statements.

View of Responsible Officials and Planned Corrective Actions

Catholic Charities' personnel agreed with the findings noted above and Catholic Charities' personnel agreed with the auditor's recommendation and took necessary steps to implement these recommendations.

Current Status

Corrective action taken.