

**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, 2018 and 2017

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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, 2018 and 2017, 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, 2018 and 2017, 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 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 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 March 28, 2019 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.



March 28, 2019

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC. AND SUBSIDIARY**  
 June 30, 2018 and 2017

<b><u>ASSETS</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Cash and cash equivalents	\$ 896,392	\$ 970,058
Investments	683,650	601,021
Accounts receivable, net of allowance for doubtful accounts	12,093	3,307
Grant and contract receivables	936,786	498,340
Property and equipment, net of accumulated depreciation	<u>84,038</u>	<u>102,314</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 2,612,959</u></b>	<b><u>\$ 2,175,040</u></b>
 <b><u>LIABILITIES AND NET ASSETS</u></b>  		
<b>LIABILITIES</b>		
Accounts payable	\$ 162,032	\$ 120,203
Accrued expenses	12,680	73,715
Deferred revenue	840,714	470,384
Client deposits	524,620	457,438
Accrued compensated absences	<u>84,734</u>	<u>95,938</u>
<b>TOTAL LIABILITIES</b>	<b><u>1,624,780</u></b>	<b><u>1,217,678</u></b>
<b>NET ASSETS</b>		
Unrestricted	288,294	258,549
Board designated	<u>650,000</u>	<u>650,000</u>
<b>Total Unrestricted</b>	938,294	908,549
<b>Temporarily Restricted</b>	<u>49,885</u>	<u>48,813</u>
<b>TOTAL NET ASSETS</b>	<b><u>988,179</u></b>	<b><u>957,362</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 2,612,959</u></b>	<b><u>\$ 2,175,040</u></b>

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, 2018 and 2017

	2018		
	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTALS</u>
<b>SUPPORT AND REVENUES</b>			
<b>Support</b>			
United Way allocations	\$ 32,576	\$ -	\$ 32,576
Diocesan Ministry Fund support	100,000	-	100,000
Pueblo Deanery support	-	13,942	13,942
Contributions	450,464	2,010	452,474
Assistance programs	-	304,533	304,533
<b>Total Support</b>	<u>583,040</u>	<u>320,485</u>	<u>903,525</u>
<b>Revenues</b>			
Grant revenue	4,232,634	9,550	4,242,184
Money management fees	86,646	-	86,646
Immigration service fees	33,090	-	33,090
Other fees	7,125	-	7,125
Special event, net of costs \$2,232 and \$1,720	27,168	-	27,168
Miscellaneous revenues	7,198	-	7,198
Reimbursed expenses	4,596	-	4,596
Investment income	55,826	-	55,826
Net realized and unrealized gain (loss) on investments	24,985	-	24,985
<b>Total Revenues</b>	<u>4,479,268</u>	<u>9,550</u>	<u>4,488,818</u>
<b>Net Assets Released from Restrictions</b>	<u>328,963</u>	<u>(328,963)</u>	<u>-</u>
<b>TOTAL SUPPORT AND REVENUES</b>	<u>5,391,271</u>	<u>1,072</u>	<u>5,392,343</u>
<b>EXPENSES</b>			
<b>Functional Expenses</b>			
Program services	4,182,283	-	4,182,283
Management and general	873,576	-	873,576
<b>Total Functional Expenses</b>	<u>5,055,859</u>	<u>-</u>	<u>5,055,859</u>
<b>Assistance to Individuals</b>	<u>305,667</u>	<u>-</u>	<u>305,667</u>
<b>TOTAL EXPENSES</b>	<u>5,361,526</u>	<u>-</u>	<u>5,361,526</u>
<b>CHANGE IN NET ASSETS</b>	29,745	1,072	30,817
<b>NET ASSETS, beginning</b>	<u>908,549</u>	<u>48,813</u>	<u>957,362</u>
<b>NET ASSETS, ending</b>	<u>\$ 938,294</u>	<u>\$ 49,885</u>	<u>\$ 988,179</u>

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

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2017

<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTALS</u>
\$ 31,383	\$ -	\$ 31,383
100,000	-	100,000
-	13,126	13,126
237,116	18,919	256,035
<u>2,000</u>	<u>465,781</u>	<u>467,781</u>
<u>370,499</u>	<u>497,826</u>	<u>868,325</u>
3,935,675	11,900	3,947,575
73,391	-	73,391
36,977	-	36,977
22,659	-	22,659
20,375	-	20,375
6,136	-	6,136
-	-	-
48,948	-	48,948
<u>29,891</u>	<u>-</u>	<u>29,891</u>
<u>4,174,052</u>	<u>11,900</u>	<u>4,185,952</u>
<u>494,991</u>	<u>(494,991)</u>	<u>-</u>
<u>5,039,542</u>	<u>14,735</u>	<u>5,054,277</u>
3,767,690	-	3,767,690
<u>736,070</u>	<u>-</u>	<u>736,070</u>
4,503,760	-	4,503,760
<u>459,090</u>	<u>-</u>	<u>459,090</u>
<u>4,962,850</u>	<u>-</u>	<u>4,962,850</u>
76,692	14,735	91,427
<u>831,857</u>	<u>34,078</u>	<u>865,935</u>
<u>\$ 908,549</u>	<u>\$ 48,813</u>	<u>\$ 957,362</u>

**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**  
**CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC. AND SUBSIDIARY**  
For the year ended June 30, 2018

	<b>2018</b>		
	<b>EARLY CHILDHOOD PROGRAMS</b>	<b>ADULT PROGRAMS</b>	<b>HOME STABILITY</b>
<b>FUNCTIONAL EXPENSES</b>			
<b>Salaries and Related Expenses</b>			
Salaries	\$ 1,503,085	\$ 675,581	\$ 205,606
Employee benefits	353,495	75,426	52,599
Payroll taxes	<u>126,408</u>	<u>59,849</u>	<u>17,073</u>
<b>Total Salaries and Related Expenses</b>	<u>1,982,988</u>	<u>810,856</u>	<u>275,278</u>
<b>Other Expenses</b>			
Dues and fees	19,896	21,444	4,002
Fund-raising expenses	-	-	-
Insurance	3,516	1,264	3,672
Meals	1,311	1,076	249
Miscellaneous	186	586	216
Occupancy	40,954	20,530	2,124
Office supplies	21,499	6,725	887
Postage and shipping	5,190	2,368	758
Printing and publications	16,082	4,546	1,073
Professional development	28,446	6,921	958
Professional services	439,456	38,987	2,407
Program expenses	127,081	84,345	1,895
Repairs and equipment maintenance	2,650	792	366
Rent - equipment	6,868	2,071	913
Supplies	-	-	-
Telephone	38,613	10,943	1,627
Travel	<u>118,898</u>	<u>16,920</u>	<u>1,850</u>
<b>Total Other Expenses</b>	<u>870,646</u>	<u>219,518</u>	<u>22,997</u>
<b>Total Expenses Before Depreciation</b>	2,853,634	1,030,374	298,275
<b>Depreciation</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL FUNCTIONAL EXPENSES</b>	<u>\$ 2,853,634</u>	<u>\$ 1,030,374</u>	<u>\$ 298,275</u>

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

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**2018**

<u>TOTAL PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>TOTALS</u>
\$ 2,384,272	\$ 392,856	\$ 2,777,128
481,520	103,929	585,449
<u>203,330</u>	<u>32,213</u>	<u>235,543</u>
<u>3,069,122</u>	<u>528,998</u>	<u>3,598,120</u>
45,342	41,004	86,346
-	23,548	23,548
8,452	9,848	18,300
2,636	13,620	16,256
988	3,668	4,656
63,608	13,799	77,407
29,111	18,890	48,001
8,316	11,697	20,013
21,701	17,991	39,692
36,325	23,595	59,920
480,850	100,305	581,155
213,321	7,044	220,365
3,808	1,704	5,512
9,852	3,983	13,835
-	800	800
51,183	11,305	62,488
<u>137,668</u>	<u>23,502</u>	<u>161,170</u>
<u>1,113,161</u>	<u>326,303</u>	<u>1,439,464</u>
4,182,283	855,301	5,037,584
<u>-</u>	<u>18,275</u>	<u>18,275</u>
<u>\$ 4,182,283</u>	<u>\$ 873,576</u>	<u>\$ 5,055,859</u>

**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**  
**CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC. AND SUBSIDIARY**  
For the year ended June 30, 2017

	<b>2017</b>		
	<b>EARLY CHILDHOOD PROGRAMS</b>	<b>ADULT PROGRAMS</b>	<b>HOME STABILITY</b>
<b>FUNCTIONAL EXPENSES</b>			
<b>Salaries and Related Expenses</b>			
Salaries	\$ 1,761,483	\$ 277,532	\$ 178,498
Employee benefits	389,998	9,974	58,374
Payroll taxes	<u>153,381</u>	<u>25,461</u>	<u>14,066</u>
<b>Total Salaries and Related Expenses</b>	<u>2,304,862</u>	<u>312,967</u>	<u>250,938</u>
<b>Other Expenses</b>			
Audit fees	-	-	-
Auto expense	466	203	-
Conferences, conventions, and meetings	35,434	10,089	1,600
Dues and subscriptions	385	726	-
Fund-raising expenses	-	-	-
Insurance	8,695	409	1,067
Occupancy	44,410	14,734	1,812
Postage and shipping	7,999	988	801
Printing and publications	12,922	7,893	908
Professional services	155,915	7,279	83
Program expenses	230,874	58,708	2,022
Repairs and equipment maintenance	9,547	499	844
Rent - equipment	6,458	368	530
Supplies	23,187	5,598	1,466
Telephone	84,682	11,931	8,091
Travel	<u>125,678</u>	<u>11,776</u>	<u>1,846</u>
<b>Total Other Expenses</b>	<u>746,652</u>	<u>131,201</u>	<u>21,070</u>
<b>Total Expenses Before Depreciation</b>	3,051,514	444,168	272,008
<b>Depreciation</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL FUNCTIONAL EXPENSES</b>	<u>\$ 3,051,514</u>	<u>\$ 444,168</u>	<u>\$ 272,008</u>

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

<u>TOTAL PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>TOTALS</u>
\$ 2,217,513	\$ 372,418	\$ 2,589,931
458,346	86,913	545,259
<u>192,908</u>	<u>31,839</u>	<u>224,747</u>
<u>2,868,767</u>	<u>491,170</u>	<u>3,359,937</u>
-	13,500	13,500
669	767	1,436
47,123	20,402	67,525
1,111	18,098	19,209
-	22,498	22,498
10,171	1,527	11,698
60,956	2,165	63,121
9,788	14,619	24,407
21,723	4,187	25,910
163,277	80,250	243,527
291,604	18,111	309,715
10,890	5,873	16,763
7,356	1,101	8,457
30,251	4,837	35,088
104,704	9,073	113,777
<u>139,300</u>	<u>12,852</u>	<u>152,152</u>
<u>898,923</u>	<u>229,860</u>	<u>1,128,783</u>
3,767,690	721,030	4,488,720
-	15,040	15,040
<u>\$ 3,767,690</u>	<u>\$ 736,070</u>	<u>\$ 4,503,760</u>

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC. AND SUBSIDIARY**  
For the years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 30,817	\$ 91,427
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	18,275	15,040
Realized and unrealized (gain) loss on investments	(24,985)	(29,891)
<b>(Increase) decrease in assets:</b>		
Accounts receivable	(8,786)	(1,423)
Grant and contract receivable	(438,446)	(34,537)
<b>Increase (decrease) in liabilities:</b>		
Accounts payable	41,829	26,486
Accrued payroll taxes and withholding	(61,035)	45,026
Deferred revenue	370,330	104,009
Client deposits	67,182	87,936
Accrued compensated absences	<u>(11,204)</u>	<u>17,533</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>(16,023)</u>	<u>321,606</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment	-	-
Purchase of investments	<u>(57,643)</u>	<u>(48,932)</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>(57,643)</u>	<u>(48,932)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	(73,666)	272,674
<b>CASH AND CASH EQUIVALENTS, beginning</b>	<u>970,058</u>	<u>697,384</u>
<b>CASH AND CASH EQUIVALENTS, ending</b>	<u>\$ 896,392</u>	<u>\$ 970,058</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, 2018 and 2017

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**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 2015, 2016, 2017 and 2018 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, 2018 and 2017

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Property and Equipment**

It is the Organization's policy to capitalize property and equipment over \$1,500 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, 2018 and 2017, the Organization was holding \$524,620 and \$457,438 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, 2018 and 2017 were \$84,734 and \$95,938, 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 3% of the employee's gross salary up to \$100 per month. The Organization's contributions for the years ended June 30, 2018 and 2017, were \$46,700 and \$43,200, 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, 2018 and 2017

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**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 3 to 5 clients whose total assets at June 30, 2018 and 2017 totaled \$92,674 and \$106,827, respectively. Fees earned for conservator responsibilities for the years ended June 30, 2018 and 2017 approximated \$800 and \$720, 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, 2018 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.

**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 2017.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC. AND SUBSIDIARY**  
 June 30, 2018 and 2017

**NOTE B - INVESTMENTS**

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

	<b>2018</b>		
<u>Cost</u>	<u>Unrealized Gain (Loss)</u>	<u>Estimated Market Value</u>	
Equity mutual funds	\$ 446,926	\$ 236,724	\$ 683,650
	<b>2017</b>		
Equity mutual funds	\$ 391,219	\$ 209,802	\$ 601,021

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

	<b>2018</b>	<b>2017</b>
Dividends	\$ 12,547	\$ 10,657
Capital gain distributions	43,160	38,281
Interest income	118	10
<b>Total Investment Income</b>	\$ 55,825	\$ 48,948
Realized gain (loss)	(1,937)	-
Unrealized gain (loss)	26,922	29,891
<b>Total Investment Return</b>	\$ 80,810	\$ 78,839

**NOTE C- PROPERTY AND EQUIPMENT**

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

	<b>2018</b>	<b>2017</b>
Leasehold improvements	\$ 119,222	\$ 119,222
Office furniture and equipment	234,566	234,567
Vehicle	14,198	14,198
<b>Total Property and Equipment</b>	367,986	367,987
Less: accumulated depreciation	283,948	265,673
<b>Net Property and Equipment</b>	\$ 84,038	\$ 102,314

Depreciation expense for the years ended June 30, 2018 and 2017 was \$18,275 and \$15,040, respectively.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC. AND SUBSIDIARY**  
June 30, 2018 and 2017

**NOTE D - ACCRUED EXPENSES**

Accrued expenses consisted of the following at June 30:

	<u>2018</u>	<u>2017</u>
Payroll taxes and payroll related withholding	\$ 5,587	\$ 63,746
Salaries	7,093	9,969
<b>Total Accrued Expenses</b>	<u>\$ 12,680</u>	<u>\$ 73,715</u>

**NOTE E - TEMPORARILY RESTRICTED NET ASSETS**

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

	<u>2018</u>	<u>2017</u>
Aid To The Needy Grant	\$ 2,980	\$ 2,690
Cares	8,444	4,706
Colorado Community Response Program	443	1,229
Colorado Opportunity Scholarship Initiative	345	345
Community Problem Solving	722	-
Disaster Relief Donations	7,561	3,001
DSS / HB1451	1,502	2,011
ECE funds	2,776	4,469
Emergency Food and Shelter Program	7,938	84
Energy Outreach Colorado	-	13,765
DSS-Assistance	7,238	5,506
Pueblo County Rent Assistance	-	1,008
Pueblo Deanery Assistance	5,620	2,077
Various foundations-Supplies and operating expenses	4,316	7,922
<b>Total Temporarily Restricted Net Assets</b>	<u>\$ 49,885</u>	<u>\$ 48,813</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>2018</u>	<u>2017</u>
Aid to the Needy	\$ 4,025	\$ -
Cares	116,153	106,724
Colorado Community Response Program	15,270	24,017
Colorado Opportunity Scholarship Initiative	-	51,415
Community Problem Solving	1,778	-
Disaster Relief Donations	15,151	7,500
DSS / HB1451	40,630	53,296
DSS / Assistance	19,268	17,410
ECE funds	1,694	-
Emergency Food and Shelter Program	20,444	20,329
Energy Outreach Colorado	59,390	158,683
Pueblo County Rent Assistance	14,910	16,288
Pueblo Deanery	7,094	13,525
Various foundations-Supplies and operating expenses	13,156	25,804
<b>Total Restrictions Released</b>	<u>\$ 328,963</u>	<u>\$ 494,991</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC. AND SUBSIDIARY**  
 June 30, 2018 and 2017

**NOTE F - 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>2018</u>	<u>2017</u>
Operating reserve	<u>\$ 650,000</u>	<u>\$ 650,000</u>

**NOTE G - GRANT REVENUE**

The Organization received grants from the following sources as of June 30:

	<u>2018</u>	<u>2017</u>
Federal Agencies	\$ 1,480,780	\$ 1,452,328
State Agencies	1,385,751	1,267,664
Nonprofit Organizations - Foundations	1,149,135	789,436
Local Agencies	<u>226,518</u>	<u>438,147</u>
<b>Total Grant Revenue</b>	<u>\$ 4,242,184</u>	<u>\$ 3,947,575</u>

**NOTE H - OPERATING LEASE COMMITMENTS**

On July 10, 2017, the Organization entered into a lease with Great America Financial Services for Canon copiers. The lease term is sixty months starting July 10, 2017 and requires monthly lease payments of \$705.00. The amount of the lease expense reported was \$13,005 and \$7,518 for the years ended June 30, 2018 and 2017.

A new office lease was entered into June 15, 2018. This lease replaced the prior lease that ended June 30, 2018 under the same terms as the new lease. The lease is for twenty four months for \$1 for the full term of the lease. 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 \$17,497 and \$23,046 for the years ended June 30, 2018 and 2017, respectively.

The Organization entered into two leases with LDC Properties for office space at 516 and 614-618 N. Main Street. The lease terms were originally 12 months beginning September 2015 and April 2016 and required monthly lease payments of \$1,250 and \$670, respectively. Both leases have been renewed for three years with the same provisions as the original leases. The leases end May and September 2020. The amount of the lease expense reported was \$23,040 and \$23,040 for the years ended June 30, 2018 and 2017 and reported in occupancy expense.

Future minimum lease payments are as follows as of June 30, 2018:

	<u>Office Space</u>		<u>Copier</u>
2019	\$ 23,040	\$	8,460
2020	14,600		8,460
2021	-		8,460
2022	-		<u>4,230</u>
	<u>\$ 37,640</u>	\$	<u>29,610</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC. AND SUBSIDIARY**  
 June 30, 2018 and 2017

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**NOTE I - FAIR VALUE MEASUREMENTS**

Fair values of assets measured on a recurring basis at June 30, 2018 are as follows:

	<b>Quoted Prices in Active Markets for Identical Assets <u>Level 1</u></b>	<b>Significant Other Observable Inputs <u>Level 2</u></b>	<b>Significant Unobservable Inputs <u>Level 3</u></b>
Equity Mutual Funds	\$ <u>683,650</u>	\$ <u>-</u>	\$ <u>-</u>

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

**NOTE J - 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 March 28, 2019 and the financial statements were available to be issued March 28, 2019.

**SUPPLEMENTAL INFORMATION**

**COMPARATIVE SCHEDULE OF FUNCTIONAL EXPENSES**  
**CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC. AND SUBSIDIARY**  
For the years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>	<u>VARIANCES</u>	
			<u>DOLLAR</u> <u>AMOUNT</u>	<u>PERCENT</u>
Salaries	\$ 2,777,128	\$ 2,589,931	\$ 187,197	7.2%
Payroll taxes	585,449	545,259	40,190	7.4%
Benefits	<u>235,543</u>	<u>224,747</u>	<u>10,796</u>	4.8%
<b>TOTAL SALARIES AND BENEFITS</b>	<b>3,598,120</b>	<b>3,359,937</b>	<b>238,183</b>	<b>7.1%</b>
Depreciation	18,275	15,040	3,235	21.5%
Dues and fees	86,346	19,209	67,137	350.1%
Fund-raising	23,548	22,498	1,050	4.7%
Insurance	18,300	11,698	6,602	56.4%
Meetings-Agency/Director expenses	16,256	-	16,256	-
Miscellaneous	4,656	-	4,656	-
Occupancy	77,407	63,121	14,286	22.6%
Office supplies	48,001	35,088	12,913	36.8%
Postage and shipping	20,013	24,407	(4,394)	(18.0)%
Printing and publications	39,692	25,910	13,782	53.2%
Professional development	59,920	67,525	(7,605)	(11.3)%
Professional fees	581,155	257,027	324,128	126.1%
Program expenses	220,365	309,715	(89,350)	(28.9)%
Repairs and equipment maintenance	5,512	16,763	(11,251)	(67.1)%
Rent - equipment	13,835	8,457	5,378	63.6%
Supplies	800	-	800	-
Telephone	62,488	113,777	(51,289)	(45.1)%
Travel	<u>161,170</u>	<u>153,588</u>	<u>7,582</u>	4.9%
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b><u>\$ 5,055,859</u></b>	<b><u>\$ 4,503,760</u></b>	<b><u>\$ 552,099</u></b>	<b>12.3%</b>

**CONSOLIDATING STATEMENTS OF FINANCIAL POSITION**  
**CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC. AND SUBSIDIARY**  
June 30, 2018

<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	\$ 879,939	\$ 16,453	-	\$ 896,392
Investments	683,650	-	-	683,650
Accounts receivable, net of allowance for doubtful accounts	116,001	-	(103,908)	12,093
Grant and contract receivables	847,773	89,013	-	936,786
Property and equipment, net of accumulated depreciation	84,038	-	-	84,038
Investment in subsidiary	<u>(13,300)</u>	<u>-</u>	<u>13,300</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,598,101</u>	<u>\$ 105,466</u>	<u>\$ (90,608)</u>	<u>\$ 2,612,959</u>
 <b><u>LIABILITIES AND NET ASSETS</u></b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 160,038	\$ 105,902	\$ (103,908)	\$ 162,032
Accrued expenses	2,886	9,794	-	12,680
Deferred revenue	840,714	-	-	840,714
Client deposits	524,620	-	-	524,620
Accrued compensated absences	<u>81,664</u>	<u>3,070</u>	<u>-</u>	<u>84,734</u>
<b>TOTAL LIABILITIES</b>	<u>1,609,922</u>	<u>118,766</u>	<u>(103,908)</u>	<u>1,624,780</u>
<b>NET ASSETS</b>				
Unrestricted	288,294	(13,300)	13,300	288,294
Board designated	<u>650,000</u>	<u>-</u>	<u>-</u>	<u>650,000</u>
<b>Total Unrestricted</b>	938,294	(13,300)	13,300	938,294
<b>Temporarily Restricted</b>	<u>49,885</u>	<u>-</u>	<u>-</u>	<u>49,885</u>
<b>TOTAL NET ASSETS</b>	<u>988,179</u>	<u>(13,300)</u>	<u>13,300</u>	<u>988,179</u>
<b>TOTAL LIABILITIES AND NET</b>	<u>\$ 2,598,101</u>	<u>\$ 105,466</u>	<u>\$ (90,608)</u>	<u>\$ 2,612,959</u>

**CONSOLIDATING STATEMENTS OF FINANCIAL POSITION**  
**CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC. AND SUBSIDIARY**  
 June 30, 2017

<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	\$ 914,164	\$ 55,894	-	\$ 970,058
Investments	601,021	-	-	601,021
Accounts receivable, net of allowance for doubtful accounts	163,701	-	(160,394)	3,307
Grant and contract receivables	388,599	109,741	-	498,340
Property and equipment, net of accumulated depreciation	102,314	-	-	102,314
Investment in subsidiary	<u>(16,936)</u>	<u>-</u>	<u>16,936</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,152,863</u>	<u>\$ 165,635</u>	<u>\$ (143,458)</u>	<u>\$ 2,175,040</u>
 <b><u>LIABILITIES AND NET ASSETS</u></b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 119,302	\$ 161,295	\$ (160,394)	\$ 120,203
Accrued expenses	55,593	18,122	-	73,715
Deferred revenue	470,384	-	-	470,384
Client deposits	457,438	-	-	457,438
Accrued compensated absences	<u>92,784</u>	<u>3,154</u>	<u>-</u>	<u>95,938</u>
<b>TOTAL LIABILITIES</b>	<u>1,195,501</u>	<u>182,571</u>	<u>(160,394)</u>	<u>1,217,678</u>
<b>NET ASSETS</b>				
Unrestricted	258,549	(16,936)	16,936	258,549
Board designated	<u>650,000</u>	<u>-</u>	<u>-</u>	<u>650,000</u>
<b>Total Unrestricted</b>	908,549	(16,936)	16,936	908,549
<b>Temporarily Restricted</b>	<u>48,813</u>	<u>-</u>	<u>-</u>	<u>48,813</u>
<b>TOTAL NET ASSETS</b>	<u>957,362</u>	<u>(16,936)</u>	<u>16,936</u>	<u>957,362</u>
<b>TOTAL LIABILITIES AND NET</b>	<u>\$ 2,152,863</u>	<u>\$ 165,635</u>	<u>\$ (143,458)</u>	<u>\$ 2,175,040</u>

**CONSOLIDATING STATEMENTS OF ACTIVITIES**  
**CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC. AND SUBSIDIARY**  
June 30, 2018

<b>SUPPORT AND REVENUES</b>	<b>Catholic Charities Inc.</b>	<b>Catholic Charities Works Corp.</b>	<b>Inter Company Eliminations</b>	<b>Totals</b>
<b>Support</b>				
United Way allocations	\$ 32,576	\$ -	\$ -	\$ 32,576
Diocesan Ministry Fund support	100,000	-	-	100,000
Pueblo Deanery support	13,942	-	-	13,942
Contributions	451,766	708	-	452,474
Assistance programs	304,533	-	-	304,533
<b>Total Support</b>	<u>902,817</u>	<u>708</u>	<u>-</u>	<u>903,525</u>
<b>Revenues</b>				
Grant revenue	3,775,723	466,461	-	4,242,184
Money management fees	86,646	-	-	86,646
Immigration service fees	33,090	-	-	33,090
Other fees	7,125	-	-	7,125
Special event, net of costs \$2,232	27,168	-	-	27,168
Miscellaneous revenues	7,114	84	-	7,198
Reimbursed expenses	88,134	-	(83,538)	4,596
Investment income	55,826	-	-	55,826
Subsidiary income (loss)	3,636	-	(3,636)	-
Net realized and unrealized gain (loss) on investments	24,985	-	-	24,985
<b>Total Revenues</b>	<u>4,109,447</u>	<u>466,545</u>	<u>(87,174)</u>	<u>4,488,818</u>
<b>TOTAL SUPPORT AND REVENUES</b>	<u>5,012,264</u>	<u>467,253</u>	<u>(87,174)</u>	<u>5,392,343</u>
<b>EXPENSES</b>				
<b>Functional Expenses</b>				
Program Services	3,805,789	410,116	(33,622)	4,182,283
Management and general	869,991	53,501	(49,916)	873,576
<b>Total Functional Expenses</b>	<u>4,675,780</u>	<u>463,617</u>	<u>(83,538)</u>	<u>5,055,859</u>
<b>Assistance to Individuals</b>	<u>305,667</u>	<u>-</u>	<u>-</u>	<u>305,667</u>
<b>TOTAL EXPENSES</b>	<u>4,981,447</u>	<u>463,617</u>	<u>(83,538)</u>	<u>5,361,526</u>
<b>CHANGE IN NET ASSETS</b>	30,817	3,636	(3,636)	30,817
<b>NET ASSETS, beginning</b>	<u>957,362</u>	<u>(16,936)</u>	<u>16,936</u>	<u>957,362</u>
<b>NET ASSETS, ending</b>	<u>\$ 988,179</u>	<u>\$ (13,300)</u>	<u>\$ 13,300</u>	<u>\$ 988,179</u>

**CONSOLIDATING STATEMENTS OF ACTIVITIES**  
**CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC. AND SUBSIDIARY**  
 June 30, 2017

<b><u>SUPPORT AND REVENUES</u></b>	<b>Catholic Charities Inc.</b>	<b>Catholic Charities Works Corp.</b>	<b>Inter Company Eliminations</b>	<b><u>Totals</u></b>
<b>Support</b>				
United Way allocations	\$ 31,383	\$ -	\$ -	\$ 31,383
Diocesan Ministry Fund support	100,000	-	-	100,000
Pueblo Deanery support	13,126	-	-	13,126
Contributions	256,035	-	-	256,035
Assistance programs	467,781	-	-	467,781
<b>Total Support</b>	<u>868,325</u>	<u>-</u>	<u>-</u>	<u>868,325</u>
<b>Revenues</b>				
Grant revenue	3,559,142	388,433	-	3,947,575
Money management fees	73,391	-	-	73,391
Immigration service fees	36,977	-	-	36,977
Other fees	22,659	-	-	22,659
Special event, net of costs \$1,720	20,375	-	-	20,375
Miscellaneous revenues	5,393	743	-	6,136
Reimbursed expenses	81,568	-	(81,568)	-
Investment income	48,948	-	-	48,948
Subsidiary income (loss)	(8,928)	-	8,928	-
Net realized and unrealized gain (loss) on investments	29,891	-	-	29,891
<b>Total Revenues</b>	<u>3,869,416</u>	<u>389,176</u>	<u>(72,640)</u>	<u>4,185,952</u>
<b>TOTAL SUPPORT AND REVENUES</b>	<u>4,737,741</u>	<u>389,176</u>	<u>(72,640)</u>	<u>5,054,277</u>
<b>EXPENSES</b>				
<b>Functional Expenses</b>				
Program Services	3,451,154	371,521	(54,985)	3,767,690
Management and general	736,070	26,583	(26,583)	736,070
<b>Total Functional Expenses</b>	<u>4,187,224</u>	<u>398,104</u>	<u>(81,568)</u>	<u>4,503,760</u>
Assistance to Individuals	459,090	-	-	459,090
<b>TOTAL EXPENSES</b>	<u>4,646,314</u>	<u>398,104</u>	<u>(81,568)</u>	<u>4,962,850</u>
<b>CHANGE IN NET ASSETS</b>	91,427	(8,928)	8,928	91,427
<b>NET ASSETS, beginning</b>	<u>865,935</u>	<u>(8,008)</u>	<u>8,008</u>	<u>865,935</u>
<b>NET ASSETS, ending</b>	<u>\$ 957,362</u>	<u>\$ (16,936)</u>	<u>\$ 16,936</u>	<u>\$ 957,362</u>

## **COMPLIANCE SECTION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC. AND SUBSIDIARY**  
 June 30, 2018

	<u>CFDA Number</u>	<u>Contract Pass through Number</u>	<u>Passed Through to Subrecipients</u>	<u>Federal Expenditures</u>
<b><u>U.S. Department of Housing and Urban Development (HUD)</u></b>				
<b>Passed through Catholic Charities USA</b>				
Housing Counseling Assistance Program	14.169	HC140011017		\$ 31,451
<b>Passed through City of Pueblo</b>				
Community Development Block Grant/ Entitlement Grant	14.218	CD156		<u>11,783</u>
<b>Total Department of Housing and Urban Development (HUD)</b>				<u>\$ 43,234</u>
<b><u>U.S. Department of Health and Human Services</u></b>				
<b>Passed through State Department of Human Services</b>				
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	IHA MIEC1461295 IHA MIEC1461296 17IHIA94709		\$ 1,362,890
<b>Passed through Early Learning Ventures</b>				
Head Start	93.600			<u>-</u>
<b>Total Department of Health and Human Services</b>				<u>\$ 1,362,890</u>
<b><u>Corporation for National and Community Service</u></b>				
<b>Passed through Colorado Child and Parent Foundation</b>				
AmeriCorps	94.006			<u>\$ 78,467</u>
<b><u>Department of Homeland Security</u></b>				
Emergency Food and Shelter National Board Program	97.024			<u>20,329</u>
<b>TOTAL FEDERAL EXPENDITURES</b>				<u>\$ 1,504,920</u>

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC. AND SUBSIDIARY  
June 30, 2018

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**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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*Tax/Consulting/Audit*

*Certified Public Accountants*

**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, 2018 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 March 28, 2019.

**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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency. 2018-001.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Catholic Charities of the Diocese of Pueblo, Inc. and its subsidiary's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Catholic Charities of the Diocese of Pueblo, Inc. and its subsidiary's Response to Findings**

Catholic Charities of the Diocese of Pueblo, Inc. and its subsidiary's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Catholic Charities of the Diocese of Pueblo, Inc. and its subsidiary's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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, Goodrich, Paulucci & Mitchell, PC*

March 28, 2019



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**McPherson, Goodrich, Paolucci & Mihelich, PC**

*Tax/Consulting/Audit*

*Certified Public Accountants*

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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, 2018. 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, 2018.

### **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, Goodwin, Producers & Mahelich, PC*

March 28, 2019

**CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC. AND SUBSIDIARY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2018**

**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, 2018 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?   X   Yes    \_\_\_\_\_ 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:

CFDA Number  
93.505

Name of Federal Program  
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

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

**CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO AND SUBSIDIARY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2018**

**FINANCIAL STATEMENT FINDINGS**

**Finding 2018 - 001 Internal Control Over Financial Reporting**

**Criteria:**

An internal control system includes designing, documenting, and monitoring control activities over the application of accounting principles, budgeting, antifraud programs, non-routine transactions, financial statement preparation and safeguarding of assets. This system should provide for timely and accurate financial information.

**Condition:**

Catholic Charities does not have a complete system of internal controls to prevent or detect financial statement misstatements in a timely manner.

**Cause / effect**

Lack of sufficient training on the new G/L system (Abila) along with having available qualified staff that understand generally accepted accounting principles along with grant and not-for-profit accounting. This led to an eight month delay in the financial close process as well as significant delays in the financial and single audit schedules.

**Context:**

Lack of contemporaneous financial information for management and board to base decisions on. Having accurate and complete financial statements will help the board make more informed decisions.

**Recommendations:**

Get additional training for current staff and hire additional staff with the necessary qualifications and knowledge of not-for-profit accounting and accounting for federal awards. Additionally, it may benefit the Organization to hire additional accounting personnel.

**Response of officials:**

Provide more training to the current finance staff in the functionality of the Abila software package. Including the areas of budgets, financial statements, and financial reporting relating to the coding of grant reports. Also they are looking at outsourcing Human Resources function which would free up some additional time for the finance staff to focus more on finance functions.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No findings or questioned costs for federal awards were noted.



# Catholic Charities of the Diocese of Pueblo

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TTY 7-1-1 OR 800-659-2656

“PROVIDING HELP . . . CREATING HOPE”

March 22<sup>nd</sup> 2019

Michael Banks  
Fiscal Monitoring Lead  
CDHS  
1575 Sherman St  
Denver CO 80203

Subject: Catholic Charities of Pueblo Audit for July 2017-June 2018

Dear Michael,

In our audit for July 2017-June 2018, we had a Financial Statement Finding. Finding 2018-001 Internal Control over Financial Reporting stated that we did not have a complete system of internal controls to prevent or detect financial statement misstatements.

In order to resolve this issue Catholic Charities intends to take the following steps:

- Provide more training to the current finance staff
  - Specifically Abila Accounting Software functionality including:
    - Budgets
    - Financial Statements
    - Financial reporting relating to the coding of grant reports
- Staffing
  - Currently reviewing outsourcing Human Resources, this would free our accounting team to focus more on finance functions.

We intend to complete this by June 30<sup>th</sup> 2019.

The contact person is Vanessa Lopez, Controller.

Sincerely



Joseph E Mahoney MNM