

**CATHOLIC CHARITIES OF THE DIOCESE OF  
PALM BEACH, INC.**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2017**

**CATHOLIC CHARITIES OF THE DIOCESE OF PALM BEACH, INC.**  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Catholic Charities of the Diocese of Palm Beach, Inc.  
Palm Beach Gardens, Florida

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Catholic Charities of the Diocese of Palm Beach, Inc., (the Organization), (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis-of-Matter Regarding a Correction of an Error**

As discussed in Note 9 to the financial statements, certain errors resulting in understatement of amounts previously reported for revenue and receivables as of June 30, 2016, were discovered during the current year. Accordingly, balances have been restated as of June 30, 2016, to correct the error. Our opinion is not modified with respect to that matter.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2017, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Lakeland, Florida  
November 2, 2017

**CATHOLIC CHARITIES OF THE DIOCESE OF PALM BEACH, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2017**

**ASSETS**

Cash and Cash Equivalents, including Partially Restricted of \$1,436,133	\$ 3,042,261
Elder Affairs Fund	84,390
Grants Receivable	182,826
Trusts and Estate Receivable	1,526,293
Property and Equipment, Net	1,271,762
Other Assets	<u>26,123</u>
Total Assets	<u><u>\$ 6,133,655</u></u>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts Payable and Accrued Expenses	\$ 273,995
Due to Agency - Elder Affairs Fund	84,390
Total Liabilities	<u>358,385</u>

**NET ASSETS**

Unrestricted	4,339,137
Temporarily Restricted	1,436,133
Total Net Assets	<u><u>5,775,270</u></u>
Total Liabilities and Net Assets	<u><u>\$ 6,133,655</u></u>

See accompanying Notes to Financial Statements.

**CATHOLIC CHARITIES OF THE DIOCESE OF PALM BEACH, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2017**

	Unrestricted	Temporarily Restricted	Total
<b>REVENUE AND SUPPORT</b>			
Contributions	\$ 352,811	\$ 528,261	\$ 881,072
Bequests	1,328,009	15,130	1,343,139
United Way	-	126,393	126,393
Contributed Facilities and Services	160,220	794,494	954,714
Grants and Contracts	-	1,465,068	1,465,068
Program Service Fees	646,443	-	646,443
Total Public Support	2,487,483	2,929,346	5,416,829
Internal Special Events	377,605	572,836	950,441
Less Costs of Direct Benefits to Donors	(118,664)	-	(118,664)
Total Special Events	258,941	572,836	831,777
Allocation from the Diocese	1,400,000	-	1,400,000
Interest and Dividend Income	47,150	-	47,150
Net Assets Released from Restrictions	3,510,578	(3,510,578)	-
Total Revenue and Support	7,704,152	(8,396)	7,695,756
<b>EXPENSES</b>			
Program Services:			
Counseling	661,768	-	661,768
Pregnancy Care Center	939,142	-	939,142
Shelters and Residences	843,053	-	843,053
Outreach and Other Community	2,886,286	-	2,886,286
Elder Affairs	564,551	-	564,551
Total Program Services	5,894,800	-	5,894,800
Supporting Services:			
Central Office	429,175	-	429,175
Fundraising	334,715	-	334,715
Total Supporting Services	763,890	-	763,890
Total Expenses	6,658,690	-	6,658,690
<b>CHANGE IN NET ASSETS</b>	1,045,462	(8,396)	1,037,066
Net Assets - Beginning of Year, as Previously Stated	3,253,371	1,282,333	4,535,704
Prior Period Adjustment	40,304	162,196	202,500
Net Assets - Beginning of Year, as Restated	3,293,675	1,444,529	4,738,204
<b>NET ASSETS - END OF YEAR</b>	\$ 4,339,137	\$ 1,436,133	\$ 5,775,270

See accompanying Notes to Financial Statements.

**CATHOLIC CHARITIES OF THE DIOCESE OF PALM BEACH, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2017**

	Program					Total Program Expense	Supporting Services		Total Supporting Services	Total Expenses
	Counseling	Pregnancy Care Centers	Shelters and Residences	Outreach & Other Community	Elder Affairs		Central Office	Fundraising		
Personnel Expenses:										
Salaries and Payroll Taxes	\$ 385,544	\$ 322,071	\$ 323,036	\$ 1,124,777	\$ 323,964	\$ 2,479,392	\$ 630,953	\$ 108,891	\$ 739,844	\$ 3,219,236
Pension and Health Insurance Benefits	85,906	79,936	102,625	295,167	85,913	649,547	141,464	29,025	170,489	820,036
Total Personnel Expenses	471,450	402,007	425,661	1,419,944	409,877	3,128,939	772,417	137,916	910,333	4,039,272
Specific Assistance	-	87,457	17,156	536,836	-	641,449	102	8,553	8,655	650,104
Other Assistance	1,599	147,256	47,682	113,944	-	310,481	-	83,174	83,174	393,655
Dues, Licenses, Permits, and Fees	9	73	668	2,541	934	4,225	18,996	455	19,451	23,676
Professional Fees	20,205	14,240	10,753	46,576	8,212	99,986	18,773	8,448	27,221	127,207
Insurance	2,655	12,562	10,953	23,444	5,420	55,034	8,138	241	8,379	63,413
Office and Other Expenses	4,570	6,373	46,487	45,509	4,360	107,299	22,450	18,383	40,833	148,132
Postage and Printing	1,060	3,135	2,317	12,061	3,572	22,145	7,555	686	8,241	30,386
Rent	51,979	47,298	95,694	206,204	49,684	450,859	77,291	-	77,291	528,150
Supplies	123	3,156	6,341	4,312	1,157	15,089	-	297	297	15,386
Telephone	11,484	6,323	6,157	14,158	3,416	41,538	4,114	320	4,434	45,972
Travel, Training, and Conferences	7,262	898	3,180	35,490	8,131	54,961	9,024	53	9,077	64,038
Utilities	7,652	15,066	24,459	30,414	6,571	84,162	4,295	-	4,295	88,457
Interest Expense	-	-	-	-	-	-	11,092	-	11,092	11,092
Repairs and Maintenance	17,725	38,910	28,531	72,202	18,164	175,532	41,175	80	41,255	216,787
Depreciation	4,611	35,689	18,950	24,066	3,338	86,654	39,578	-	39,578	126,232
Management Fee	58,712	103,152	88,501	295,334	38,827	584,526	(605,825)	21,299	(584,526)	-
Special Event Expense	5,009	32,348	18,683	5,786	5,411	67,237	-	138,158	138,158	205,395
Total Expenses	<u>\$ 666,105</u>	<u>\$ 955,943</u>	<u>\$ 852,173</u>	<u>\$ 2,888,821</u>	<u>\$ 567,074</u>	<u>\$ 5,930,116</u>	<u>\$ 429,175</u>	<u>\$ 418,063</u>	<u>\$ 847,238</u>	<u>\$ 6,777,354</u>
Less: Expenses Netted Against Revenues on the Statement of Activities	<u>(4,337)</u>	<u>(16,801)</u>	<u>(9,120)</u>	<u>(2,535)</u>	<u>(2,523)</u>	<u>(35,316)</u>	<u>-</u>	<u>(83,348)</u>	<u>(83,348)</u>	<u>(118,664)</u>
Total Expenses Included on Statement of Activities	<u>\$ 661,768</u>	<u>\$ 939,142</u>	<u>\$ 843,053</u>	<u>\$ 2,886,286</u>	<u>\$ 564,551</u>	<u>\$ 5,894,800</u>	<u>\$ 429,175</u>	<u>\$ 334,715</u>	<u>\$ 763,890</u>	<u>\$ 6,658,690</u>

See accompanying Notes to Financial Statements.

**CATHOLIC CHARITIES OF THE DIOCESE OF PALM BEACH, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2017**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in Net Assets	\$ 1,037,066
Adjustments to Reconcile Change in Net Assets to Net Cash	
Used in Operating Activities:	
Depreciation Expense	126,232
Forgiveness of Debt	(206,459)
(Increase) Decrease in Assets:	
Elder Affairs Fund	(45,263)
Grants Receivable	35,753
Trusts and Estate Receivable	(1,323,793)
Other Assets	5,310
Increase (Decrease) in Liabilities:	
Accounts Payable and Accrued Expenses	86,774
Due to Agency	45,263
Deferred Revenue	(8,333)
Net Cash Used in Operating Activities	<u>(247,450)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of Property and Equipment	(123,694)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Repayments of Principal on Debt Obligation to Diocese	<u>(148,908)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(520,052)
Cash and Cash Equivalents - Beginning of Year	<u>3,562,313</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 3,042,261</u></u>
<b>SUPPLEMENTAL DISCLOSURE</b>	
Interest Paid During the Year	<u><u>\$ 11,092</u></u>

See accompanying Notes to Financial Statements.

**CATHOLIC CHARITIES OF THE DIOCESE OF PALM BEACH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and Nature of Operations**

Catholic Charities of the Diocese of Palm Beach, Inc. (the Organization) was incorporated on November 20, 1984, as a nonprofit corporation under Florida law. The primary sources of revenue for the Organization include contributions, grants and fees for program services. The Organization is a nonprofit, 501(c)(3) organization, which provided services to the community through the following network of programs for the year ended June 30, 2017:

**Counseling**

Individual, marital, and group counseling.

**Pregnancy Care Centers**

Pregnancy support, education, and adoption services.

**Shelters and Residences**

Long term transitional resident facility for homeless families in Vero Beach.

**Outreach and Other Community**

Is the primary source of revenue and provided services through the following programs:

- Hunger, Homeless and Outreach
- Immigration Legal Services
- Faith Community Nursing
- Prison Ministry
- Parish Social Ministry
- Respect Life
- Disaster Relief
- Anti-Human Trafficking
- Project Rachel
- Refugee Resettlement

**Elder Affairs**

Comprehensive guardianship and case management support for elderly.

**Basis of Accounting**

The financial statements have been prepared using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded as earned and expenses are recorded at the time liabilities are incurred.

**CATHOLIC CHARITIES OF THE DIOCESE OF PALM BEACH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Financial Statement Presentation**

The Organization prepares its financial statements in accordance with the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC). The Organization is required to report information regarding its financial position and activities according to three classes of net assets. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are neither permanently nor temporarily restricted by donor-imposed stipulations. Generally, operating revenues and expenses have been recorded in the Unrestricted Fund.

Temporarily Restricted Net Assets – Net assets that result from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that either expire by passage of time or can be removed by actions of the organization pursuant to those stipulations.

Permanently Restricted Net Assets – Net assets that result from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the organization. There were no permanently restricted amounts at year-end.

**Functional Allocation of Expenses**

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses which are associated with a specific program or activity are charged directly to that program or activity. Indirect expenses are allocated to the various programs and activities based on a reasonable basis, such as the percentage of employees' time spent on functions.

**Cash and Cash Equivalents**

Cash and cash equivalents include checking, savings, money market accounts, and petty cash. The Organization considers short-term investments with a maturity of three months or less when purchased to be cash equivalents. Restricted cash and cash equivalents, which are required to be kept in a separate bank account, are limited in use to payment of emergency financial assistance to qualifying individuals.

The Organization maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts. In addition, the Organization has \$2,995,183 held in cash with the Diocese of Palm Beach Savings Fund Trust which is not FDIC insured.

**CATHOLIC CHARITIES OF THE DIOCESE OF PALM BEACH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Grants Receivable**

Grants receivable are recorded when services have been rendered and the granting authority has been billed. If events or changes in circumstances indicate that specific receivable balances may be disallowed by the granting authority, the receivable balances are written-off as an operating expense.

**Trusts and Estate Receivable**

Trusts and Estate Receivable consists of amounts willed to the Organization. The balance of this account is expected to be collectible within a year.

**Property and Equipment**

Property, equipment and leasehold improvements are stated at cost, net of accumulated depreciation. Depreciation is provided on the straight-line method over the estimated useful lives of the assets. Depreciation is computed based on useful lives ranging from three to thirty years. The Organization capitalizes all expenditures for property, equipment and leasehold improvements in excess of \$5,000 that have estimated lives over one year. In the absence of donor-imposed restrictions at the date of donation, donated assets are recorded at their fair market value as unrestricted contributions.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend the useful lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related property and equipment.

**Revenue Recognition**

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a donor restriction expires, that is, when a designated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as Net Assets Released from Restrictions.

For bequests, the Organization recognizes contribution income and a receivable at the fair value of its interest in the estate once the probate court declares the will valid.

Facilities and services furnished to the programs are recorded as Contributed Facilities and Services in the accompanying statement of activities based on the amount estimated by the Organization for rent that would be incurred for similar facilities in an arms-length lease transaction.

**CATHOLIC CHARITIES OF THE DIOCESE OF PALM BEACH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Revenue Recognition (continued)**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through adjustments to valuation allowances based on its assessment of the current status of individual receivables. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance. The organization does not believe they need an allowance for uncollectible accounts receivable as of June 30, 2017.

**Contributed Facilities and Services**

Contributed services are recognized if the services received either create or enhance nonfinancial assets or require specialized skills and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated assets, materials and service revenues received were valued at \$954,714 for the year ended June 30, 2017, respectively, have been reported as support in the accompanying financial statements for operating purposes.

A substantial number of volunteers have donated significant amounts of their time in the Organization's program services that are not reflected in the accompanying financial statements. These volunteer services had an estimated value of approximately \$364,724 for the year ended June 30, 2017.

**Income Tax Status**

The Organization is a nonprofit that is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision for income taxes has been made in the accompanying financial statements. The Organization recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. During the year ended June 30, 2017, the Organization did not incur interest and penalties related to tax positions. The Organization files as a tax exempt organization, should that status be challenged in the future, all years since inception would be subject to review by the IRS.

**Management Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

**Subsequent Events**

The Organization has evaluated subsequent events through November 2, 2017, which is the date the financial statements were available to be issued.

**CATHOLIC CHARITIES OF THE DIOCESE OF PALM BEACH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 2 PROPERTY AND EQUIPMENT**

The major classifications of property and equipment consist of the following:

	Amount
Land	\$ 268,500
CIP	32,816
Building and Building Improvements	1,079,264
Furniture and Equipment	539,046
Vehicles	136,965
Subtotal	2,056,591
Less: Accumulated Depreciation	784,829
Property and Equipment, Net	\$ 1,271,762

Depreciation and amortization expense was \$126,232 for the year ended June 30, 2017.

**NOTE 3 DUE TO AGENCY**

The Organization provides services to the elderly through guardianship and case management. The Organization holds funds for the elderly enrolled in the program. As of June 30, 2017, the Organization has a due to agency balance of \$84,390.

**NOTE 4 DEBT OBLIGATION TO DIOCESE**

During 2006, the Organization entered into a note payable agreement with the Diocese of Palm Beach, a related party, in the amount of \$1,075,111. Under the terms of the agreement, the Organization was required to make monthly principal plus interest payments of \$13,333. Interest was computed monthly by the Savings Trust Fund and as of June 30, 2017, interest was 4.5%. The note was scheduled to mature in June of 2020, but was forgiven during fiscal year ending June 30, 2017. The amount forgiven was \$206,459 which is reported as a part of unrestricted contributions on the statement of activities in the accompanying financial statements. The balance at June 30, 2017 was \$0.

Interest expense on all indebtedness was \$11,092 for the year ending of June 30, 2017.

**CATHOLIC CHARITIES OF THE DIOCESE OF PALM BEACH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 5 RELATED PARTY TRANSACTIONS**

**Diocese of Palm Beach** – Catholic Charities receives its charter and by-laws via the Bishop and the Diocese of Palm Beach. Catholic Charities and the Diocese have some mutual board members.

**Cash**

The Organization has cash deposited with the Diocese of Palm Beach Savings Fund Trust (SFT) of approximately \$2,995,183 for the year ended June 30, 2017. The SFT serves as an internal bank for parishes, the Diocese, and Diocesan entities. The fund is not intended to compete with commercial banks, but it is a cooperative effort between parishes, the Diocese, and Diocesan entities.

**Pension**

The employees of the Organization are participants in the Diocese of Palm Beach Defined-Benefit Pension Plan and the Diocese of Palm Beach defined contribution plan under section 403(b) of the IRC.

**Allocation from the Diocese**

The Organization receives an allocation in the form of a subsidy from the Diocese of Palm Beach, which is reported on the Statement of Activities as the Allocation from the Diocese. For the year ended June 30, 2017, the Organization received an operating subsidy of approximately \$1,400,000.

**NOTE 6 EMPLOYEE BENEFIT PLANS**

The Organization participates in the Pension Plan for Lay Employees and Sisters and Brothers within the Diocese of Palm Beach which is a defined-benefit plan and participates in The Diocese of Palm Beach, Inc. 403(b) Plan which is a defined contribution plan sponsored by the Diocese. Employees must meet certain eligibility requirements to participate in the plans. Since the computed value of vested benefits and plan assets for employees of the Organization cannot be segregated from those of other entities participating in the Plan, it is not possible to determine that portion of the excess or deficit, if any, which may be attributable to the Organization.

The defined-benefit plan is a noncontributory benefit plan. The Organization recognized as net pension cost the required contribution for the period. However, as of July 1, 2012, the accrual of benefits for all lay employees of the Organization has ceased and such benefits have been frozen. The total plan assets were \$58,199,088 as of June 30, 2016.

The defined contribution plan commenced on January 1, 2002. The defined contribution plan provides for employee contributions up to a certain specified limit. The Organization contributed up to 5% of the employees' salary and with an additional matching of a maximum of 2% of the employees' elective deferrals into the 403(b) Plan.

**CATHOLIC CHARITIES OF THE DIOCESE OF PALM BEACH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 6 EMPLOYEE BENEFIT PLANS (CONTINUED)**

The Organization's participation in the plans for the year ended June 30, 2017 is outlined in the table below. The EIN column provides the Employer Identification Number. The most recent Pension Protection Act (PPA) zone status in 2016 is for the plan's previous year-end Form 5500 filing. The zone status is based on information that the Plan received from the pension plans and is certified by the pension plans' actuaries. Among other factors, plans in the red zone (critical status) are generally less than 65 percent funded. Plans in the yellow zone (endangered status) are (1) less than 80 percent funded or (2) the plan has an accumulated funding deficiency (the credit balance has been exhausted) in the current plan year or is expected to have a deficiency in any of the next six plan years (taking into consideration any amortization extensions). Plans in the orange zone (seriously endangered status) have met both yellow zone conditions. Plans in the green zone are at least 80 percent funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a funding improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration dates of the Collective Bargaining Agreement (CBA) to which the plan is subject. The Diocese of Palm Beach was not required to file Form 5500.

Name of Pension Fund	EIN	Plan Number (If, Available)	Pension Protection Act Zone Status	FIP/RP Status Pending/ Implemented
Pension Plan for Lay Employees and Sisters and Brothers within the Diocese of Palm Beach	59-2438903	N/A	N/A	N/A
The Diocese of Palm Beach, Inc. 403(b) Plan	65-0926368	TA069778 00001	N/A	N/A
	<u>Contributions</u>	<u>Surcharge Imposed</u>	<u>Expiration of CBA</u>	
Pension Plan for Lay Employees and Sisters and Brothers within the Diocese of Palm Beach	\$ 83,662	No	N/A	
The Diocese of Palm Beach, Inc. 403(b) Plan	186,206	No	N/A	
	<u>\$ 269,868</u>			

**CATHOLIC CHARITIES OF THE DIOCESE OF PALM BEACH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 7 COMMITMENTS AND CONTINGENCIES**

**Support from Outside Agencies**

Financial awards from federal, state and local government entities in the form of grants are subject to audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined. However, management is of the opinion that no material liability will result from such audits.

**Debt Obligation**

The Organization has guaranteed a mortgage note payable dated June 22, 2004, for \$1,114,709 on behalf of Villa Seton, Inc., a Florida nonprofit corporation and a related party. The note, which is payable to Florida Housing Finance Corporation (through the HOME loan program) bears a zero percent interest rate and is due in full on July 1, 2044. The Organization would be obligated to perform under this guarantee if Villa Seton, Inc. failed to pay principal to the lender when due. Management does not believe this represents a significant risk. The balance of the loan net of unamortized interest rate discount of \$896,637 was \$218,071 for the year ended June 30, 2017.

**Rent and Leases**

The Organization leases office space and equipment under various operating leases. Rental expense was \$528,150, including \$481,543 in contributed facilities for the year ended June 30, 2017.

Future minimum payments under non-cancelable office space and equipment leases at June 30, 2017 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 44,820
2019	44,820
2020	44,820
2021	37,939
2022	33,024
Thereafter	137,600
Total	<u><u>\$ 343,023</u></u>

**CATHOLIC CHARITIES OF THE DIOCESE OF PALM BEACH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 8 TEMPORARILY RESTRICTED NET ASSETS**

Unexpended temporarily restricted net assets are restricted for the following programs as of June 30:

	Amount
Elder Affairs	\$ 782,711
Outreach	414,249
Other Capital Projects	239,173
Total	\$ 1,436,133

**NOTE 9 PRIOR PERIOD ADJUSTMENTS**

During the current year, it was determined that contributions revenue and trusts and estate receivable were understated for a prior period. Additionally, a program net assets balance with purpose restrictions had been included in unrestricted net assets for the prior period. To correct these errors, beginning net assets has been restated as follows:

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total Net Assets
Net Assets, June 30, 2016 as Previously Reported	\$ 3,253,371	\$ 1,282,333	\$ 4,535,704
Effect of Trusts and Estate Receivable Adjustment	202,500	-	202,500
Effect of Net Asset Reclassification	(162,196)	162,196	-
Net Assets, June 30, 2016, as Restated	\$ 3,293,675	\$ 1,444,529	\$ 4,738,204

**INDEPENDENT AUDITORS' 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 Palm Beach, Inc.  
Palm Beach Gardens, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Catholic Charities of the Diocese of Palm Beach, Inc. (the Organization) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statement of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 2, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be material weaknesses, 2017-001.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization’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*.

**The Organization’s Response to Findings**

Catholic Charities of the Diocese of Palm Beach, Inc.’s response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Organization’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 Organization’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 Organization’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Lakeland, Florida  
November 2, 2017



CliftonLarsonAllen

CliftonLarsonAllen LLP  
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND  
REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors  
Catholic Charities of the Diocese of Palm Beach, Inc.  
Palm Beach Gardens, Florida

**Report on Compliance for Each Major Federal Program**

We have audited Catholic Charities of the Diocese of Palm Beach, Inc.'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 Palm Beach, Inc.'s major federal programs for the year ended June 30, 2017. Catholic Charities of the Diocese of Palm Beach, Inc.'s major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Catholic Charities of the Diocese of Palm Beach, Inc.'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 Palm Beach, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Catholic Charities of the Diocese of Palm Beach, Inc.'s compliance.

***Opinion on Each Major Federal Program***

In our opinion, Catholic Charities of the Diocese of Palm Beach, Inc. 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, 2017.

### **Report on Internal Control Over Compliance**

Management of Catholic Charities of the Diocese of Palm Beach, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Catholic Charities of the Diocese of Palm Beach, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 Palm Beach, Inc.'s internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2017-002 and 2017-003, that we consider to be significant deficiencies.

Catholic Charities of the Diocese of Palm Beach, Inc.'s response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Catholic Charities of the Diocese of Palm Beach, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Board of Directors  
Catholic Charities of the Diocese of Palm Beach, Inc.

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of Catholic Charities of the Diocese of Palm Beach, Inc. as of and for the year ended June 30, 2017, and have issued our report thereon dated November 2, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



**CliftonLarsonAllen LLP**

Lakeland, Florida  
November 2, 2017

**CATHOLIC CHARITIES OF THE DIOCESE OF PALM BEACH, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2017**

Federal Grantor/Pass-Through Entity Program Title	CFDA Number	Pass-Through Entity Identifying Number	Expenditures
<b>FEDERAL AWARDS</b>			
<b>Department of Justice</b>			
Services for Trafficking Victims	16.320		\$ 69,765
Total Department of Justice			<u>69,765</u>
<b>U.S. Department of Health and Human Services</b>			
<i>Pass-through U.S. Conference of Catholic Bishops:</i>			
Refugee and Entrant Assistance Voluntary Agency Programs	93.567	90RV0070-02	593,089
Safe Passages Family Reunification	93.676	90ZU0191-01-05	700
<i>Pass-through Tapestri Inc.</i>			
Anti-Trafficking Program	93.598		1,283
Total U.S. Department of Health and Human Services			<u>595,072</u>
<b>Corporation for National and Community Service</b>			
<i>Pass-through Equal Justice Works:</i>			
AmeriCorps State and National	94.006	14NDHDC003	38,406
Total Corporation for National and Community Service			<u>38,406</u>
<b>U.S. Department of State</b>			
<i>Pass-through U.S. Conference of Catholic Bishops:</i>			
U.S. Refugee Admissions Program	19.510	S-PRMCO-17-CA-1006	12,100
Total U.S. Department of State			<u>12,100</u>
<b>U.S. Department of Homeland Security</b>			
<i>Pass-through U.S. Conference of Catholic Bishops:</i>			
Emergency Food and Shelter National Board	97.024	168600-002	26,893
Cuban/Haitian entrant Program	97.009	2014-CI-009-000001-01	77,388
Total U.S. Department of Homeland Security			<u>104,281</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 819,624</u></u>

**CATHOLIC CHARITIES OF THE DIOCESE OF PALM BEACH, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2017**

**NOTE 1      BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award and state financial assistance activity of Catholic Charities of the Diocese of Palm Beach, Inc. under programs of the federal government and State of Florida for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of Catholic Charities of the Diocese of Palm Beach, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Catholic Charities of the Diocese of Palm Beach, Inc.

**NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Catholic Charities of the Diocese of Palm Beach, Inc. has elected not to use the 10-percent de minimus indirect cost rate as allowed under the Uniform Guidance.

**CATHOLIC CHARITIES OF THE DIOCESE OF PALM BEACH, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2017**

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***Section I – Summary of Auditors’ Results***

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***Financial Statements***

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	Yes
Significant deficiency identified?	No
Noncompliance material to basic financial statements noted?	No

***Federal Awards***

Internal control over major federal programs:	
Material weakness identified?	No
Significant deficiencies identified?	Yes
Type of auditors’ report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes

***Identification of Major Federal Program***

<b>CFDA Number</b>	<b>Name of Federal Program or Cluster</b>
93.567	Refugee and Entrant Assistance Voluntary Agency Programs- Matching Grant

Dollar threshold used to determine Type A programs:	\$750,000
Auditee qualified as low-risk auditee?	No

**CATHOLIC CHARITIES OF THE DIOCESE OF PALM BEACH, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2017**

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***Section II – Financial Statement Findings***

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**2017 – 001**

Type of Finding:

Material Weakness in Financial Reporting - Prior Period Adjustment

**Condition:** Proposed audit adjustments resulted in material changes to account balances which were identified during the course of the audit.

**Criteria:** The Organization's management is responsible for establishing and maintaining internal controls to ensure that transactions are properly recorded and reported in the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

**Context:** In 2014, Catholic Charities of the Diocese of Palm Beach, Inc. was notified they were bequest monies upon a future event. The receivable was not recorded upon notification. The check was received and recorded in the current year.

**Effect:** There was recognition of revenue which should have occurred in a prior period in the amount of \$202,500 from a bequest. Net assets and a receivable balance were affected by the amount in the current year financial statements.

**Cause:** The Organization did not record revenue for bequests in the proper period.

**Repeat Finding:** No

**Recommendation:** We recommend that bequests are recorded as receivables at the time of notification.

**Views of responsible officials and planned corrective actions:** As information is received from attorney with regards to irrevocable trust, or estates, the Finance Director is reviewing the documentation for revenue recognition and recording a receivable in the period the information is received. This was in practice for new the gifts received in fiscal year 2017.

**CATHOLIC CHARITIES OF THE DIOCESE OF PALM BEACH, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2017**

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***Section III – Findings and Questioned Costs – Major Federal Programs***

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**2017 – 002**

Federal agency: Department of Health and Human Services

Federal program title: Refugee and Entrant Assistance Voluntary Agency Programs

CFDA Number: 93.567

Pass-Through Agency: United State Conference of Catholic Bishops Office of Migration and Refugee Services

Pass-Through Number: 90RV0070-02

Award Period: July 1, 2016-June 30, 2017

Type of Finding: Significant Deficiency in Internal Control over Compliance

**Criteria or specific requirement:** The pass-through agency allows Catholic Charities to use a reasonable and consistent allocation method for charging time and effort to the grant for payroll expenditures.

**Condition:** During testing of payroll expenditures, multiple mathematical errors in the allocation calculation were noted.

**Questioned costs:** N/A.

**Context:** There were 17 payroll expenditures tested and 2 had mathematical errors effecting the amount charged to the grant.

**Cause:** The review of formulas calculating the payroll allocation did not occur.

**Effect:** Payroll expenditures not earned are charged to the grant.

**Repeat Finding:** No.

**Recommendation:** We recommend the reviewer of the support submitted to the pass-through agency have a copy of the excel allocation in order to review the allocation formulas to ensure accuracy.

**Views of responsible officials:** There is no disagreement with the audit finding.

**CATHOLIC CHARITIES OF THE DIOCESE OF PALM BEACH, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2017**

**2017 – 003**

Federal agency: Department of Health and Human Services

Federal program title: Refugee and Entrant Assistance Voluntary Agency Programs

CFDA Number: 93.567

Pass-Through Agency: United State Conference of Catholic Bishops Office of Migration and Refugee Services

Pass-Through Number: 90RV0070-02

Award Period: July 1, 2016-June 30, 2017

Type of Finding: Significant Deficiency in Internal Control over Compliance

**Criteria or specific requirement:** Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires the accumulation of information reported on the Schedule of Expenditures of Federal Awards (SEFA) is accurate and complete.

**Condition:** The Organization is not regularly reconciling the general ledger to the payments received from their pass-through agency (USCCB). The failure to reconcile the general ledger to the allowed costs payments from USCCB resulted in an entry to reduce the expenditures by \$14,314 reported on the Schedule of Federal Awards (SEFA).

**Questioned costs:** N/A

**Context:** In a population of 12 payments received from the pass-through agency, there were 3 noted discrepancies to the amounts recorded in the general ledger.

**Cause:** The Organization is not regularly reconciling the general ledger to the payments received from their pass-through agency. The payments represent allowed costs.

**Effect:** The delayed or absent reconciliation of the general ledger to payments received can cause errors to go uncorrected.

**Repeat Finding:** No.

**Recommendation:** In order to make the financial reports generated by the accounting system as meaningful as possible, we recommend the Organization reconcile the general ledger accounts to payments received from pass-through agencies on a monthly basis. A benefit of monthly reconciliation is that errors do not accumulate but can be identified and attributed to a particular period, which makes it easier to perform future reconciliations.

**Views of responsible officials:** There is no disagreement with the audit finding.