

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

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018



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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 statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, the statement of functional expense for the year ended June 30, 2019, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2019 and 2018, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2019, 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
October 8, 2019

CATHOLIC CHARITIES OF THE DIOCESE OF PALM BEACH, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
Cash and Cash Equivalents, including Restricted of \$1,221,002 and \$1,613,564 in 2019 and 2018, Respectively	\$ 3,549,432	\$ 4,167,069
Elder Affairs Fund	15,646	14,171
Grants Receivable	383,046	195,911
Trusts and Estate Receivable	550,036	730,452
Property and Equipment, Net	1,235,935	1,266,505
Other Assets	38,277	42,010
Total Assets	\$ 5,772,372	\$ 6,416,118
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 231,679	\$ 238,279
Due to Agency - Elder Affairs Fund	15,646	14,171
Total Liabilities	247,325	252,450
NET ASSETS		
Without Donor Restrictions	4,179,045	4,550,104
With Donor Restrictions	1,346,002	1,613,564
Total Net Assets	5,525,047	6,163,668
Total Liabilities and Net Assets	\$ 5,772,372	\$ 6,416,118

See accompanying Notes to Financial Statements.

CATHOLIC CHARITIES OF THE DIOCESE OF PALM BEACH, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	\$ 206,735	\$ 483,737	\$ 690,472
Bequests	43,100	403,573	446,673
United Way	-	104,000	104,000
Contributed Facilities and Services	80,434	784,639	865,073
Grants and Contracts	-	2,504,862	2,504,862
Program Service Fees	631,290	-	631,290
Total Public Support	961,559	4,280,811	5,242,370
Internal Special Events	504,616	598,336	1,102,952
Less Costs of Direct Benefits to Donors	(106,478)	-	(106,478)
Total Special Events	398,138	598,336	996,474
Allocation from the Diocese	1,500,001	-	1,500,001
Interest and Dividend Income	56,854	-	56,854
Net Assets Released from Restrictions	5,146,709	(5,146,709)	-
Total Revenue and Support	8,063,261	(267,562)	7,795,699
EXPENSES			
Program Services	7,509,389	-	7,509,389
Central Office	610,742	-	610,742
Fundraising	314,189	-	314,189
Total Expenses	8,434,320	-	8,434,320
CHANGE IN NET ASSETS	(371,059)	(267,562)	(638,621)
Net Assets - Beginning of Year	4,550,104	1,613,564	6,163,668
NET ASSETS - END OF YEAR	\$ 4,179,045	\$ 1,346,002	\$ 5,525,047

See accompanying Notes to Financial Statements.

CATHOLIC CHARITIES OF THE DIOCESE OF PALM BEACH, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	\$ 116,814	\$ 935,316	\$ 1,052,130
Bequests	721,358	423,948	1,145,306
United Way	-	219,852	219,852
Contributed Facilities and Services	105,802	739,712	845,514
Grants and Contracts	-	1,166,851	1,166,851
Program Service Fees	569,104	-	569,104
Total	1,513,078	3,485,679	4,998,757
Internal Special Events	313,384	590,063	903,447
Less Costs of Direct Benefits to Donors	(95,130)	-	(95,130)
Total Special Events	218,254	590,063	808,317
Allocation from the Diocese	1,500,000	-	1,500,000
Interest and Dividend Income	81,573	-	81,573
Net Assets Released from Restrictions	3,898,311	(3,898,311)	-
Total Revenue and Support	7,211,216	177,431	7,388,647
EXPENSES			
Program Services	6,146,526	-	6,146,526
Central Office	563,045	-	563,045
Fundraising	290,678	-	290,678
Total Expenses	7,000,249	-	7,000,249
CHANGE IN NET ASSETS	210,967	177,431	388,398
Net Assets - Beginning of Year	4,339,137	1,436,133	5,775,270
NET ASSETS - END OF YEAR	\$ 4,550,104	\$ 1,613,564	\$ 6,163,668

See accompanying Notes to Financial Statements.

CATHOLIC CHARITIES OF THE DIOCESE OF PALM BEACH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS ONLY FOR THE YEAR ENDED JUNE 30, 2018)

Program	Salaries, Taxes and Benefits	Program Costs	Client Assistance	In-Kind Donations	Professional Other Operating Expenses	Property and Equipment Expenses	Allocated Overhead	Less	2019 Total	2018 Total
								Expenses Netted with Revenues on Statement of Activities		
Anti-Human trafficking	\$ 266,797	\$ 699	\$ 58,986	\$ 29,250	\$ 16,630	\$ 32,668	\$ 28,874	\$ -	\$ 433,904	\$ 204,440
Birthline/Lifeline	411,151	2,927	34,446	171,845	69,093	171,112	60,488	(16,360)	904,702	875,970
Counseling	508,909	858	-	1,888	58,664	89,322	70,747	(5,648)	724,740	688,890
Disaster Recovery	664,643	1,620	593,367	-	59,704	53,250	126,109	-	1,498,693	376,516
Elder Affairs	442,946	2,719	-	-	49,999	78,681	69,245	-	643,590	588,717
Hunger, Homeless Outreach	195,356	50	199,549	74,466	11,985	54,018	27,966	(3,980)	559,410	607,794
Immigration	470,624	1,072	247	-	41,320	120,075	52,646	-	685,984	824,287
Interfaith Health and Wellness	46,779	3,538	752	13,091	11,439	10,953	7,142	-	93,694	83,432
Parish Social Ministry	61,332	164	17,082	-	6,349	12,896	14,298	-	112,121	104,133
Prison Ministry	99,056	4,572	737	-	11,030	17,790	9,873	-	143,058	118,776
Project Rachel	57,261	2,052	-	-	4,861	6,070	7,086	-	77,330	77,183
Refugee Resettlement	282,038	316	134,695	30,520	17,397	72,749	72,318	-	610,033	587,863
Respect Life Ministry	47,013	669	18,854	-	6,337	12,009	7,782	-	92,664	73,509
Respite Services	33,608	1,062	-	-	4,493	2,406	33,621	-	75,190	45,785
Samaritan Center	491,847	45,409	9,199	33,925	55,544	148,340	78,742	(8,730)	854,276	889,231
Total Program Expense	4,079,360	67,727	1,067,914	354,985	424,845	882,339	666,937	(34,718)	7,509,389	6,146,526
Supporting Services										
Central Office	1,019,527	11,268	-	-	101,202	155,958	(677,213)	-	610,742	563,045
Fundraising	173,403	9,952	1,340	129,971	60,977	30	10,276	(71,760)	314,189	290,678
Total Support Services	1,192,930	21,220	1,340	129,971	162,179	155,988	(666,937)	(71,760)	924,931	853,723
Total Expenses	\$ 5,272,290	\$ 88,947	\$ 1,069,254	\$ 484,956	\$ 587,024	\$ 1,038,327	\$ -	\$ (106,478)	\$ 8,434,320	\$ 7,000,249

See accompanying Notes to Financial Statements.

CATHOLIC CHARITIES OF THE DIOCESE OF PALM BEACH, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (638,621)	\$ 388,398
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) in Operating Activities:		
Depreciation Expense	124,946	119,464
(Increase) Decrease in Assets:		
Elder Affairs Fund	(1,475)	70,219
Grants Receivable	(187,135)	(13,085)
Trusts and Estate Receivable	180,416	795,841
Other Assets	3,733	(15,887)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	(6,600)	(35,716)
Due to Agency	1,475	(70,219)
Net Cash Provided (Used) by Operating Activities	(523,261)	1,239,015
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(94,376)	(114,207)
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(617,637)	1,124,808
 Cash and Cash Equivalents - Beginning of Year	4,167,069	3,042,261
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,549,432	\$ 4,167,069

See accompanying Notes to Financial Statements.

CATHOLIC CHARITIES OF THE DIOCESE OF PALM BEACH, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

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 years ended June 30, 2019 and 2018:

Counseling

Individual, marital, and group counseling.

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 Ministry
- Disaster Recovery
- Anti-Human Trafficking
- Project Rachel
- Refugee Resettlement
- Respite Services
- Birthline/Lifeline
- Interfaith Health and Wellness
- Samaritan Center

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
YEARS ENDED JUNE 30, 2019 AND 2018

**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).

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. 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. At June 30, 2019 and 2018, the Organization had \$3,113,630 and \$3,966,776, respectively, held in cash with the Diocese of Palm Beach Savings Fund Trust, which is not FDIC insured.

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.

CATHOLIC CHARITIES OF THE DIOCESE OF PALM BEACH, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

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

Property and Equipment (Continued)

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.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

All contributions are considered to be available for 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 net assets with donor restrictions. When a donor restriction expires, that is, when a designated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions on the statements of activities 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 statements 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.

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, 2019 and 2018.

CATHOLIC CHARITIES OF THE DIOCESE OF PALM BEACH, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

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

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 facilities, assets, materials and service revenues received were valued at \$865,073 and \$845,514 for the years ended June 30, 2019 and 2018, respectively, have been reported as support in the accompanying financial statements for operating purposes. On the statement of functional expenses, these donated facilities, assets, materials, and services are recorded within property and equipment expenses for donated facilities, within in-kind donations for donated assets and materials, and within professional other operating expenses for donated services.

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 \$437,820 and \$276,717 for the years ended June 30, 2019 and 2018, respectively.

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 years ended June 30, 2019 and 2018, 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.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented, except for the liquidity footnote and the statement of functional expenses which were only presented for 2019, and did not require any net asset reclassification.

CATHOLIC CHARITIES OF THE DIOCESE OF PALM BEACH, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

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

Subsequent Events

The Organization has evaluated subsequent events through October 8, 2019, which is the date the financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and Cash Equivalents	\$ 3,549,432
Grants Receivable	383,046
Trusts and Estate Receivable	550,036
Less Net Assets with Donor Restrictions	<u>(1,346,002)</u>
Total	<u><u>\$ 3,136,512</u></u>

None of the assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. The Organization has a goal to maintain financial assets, which consists of cash and cash equivalents and grants receivable on hand to meet 30 days of normal operating expenses, which are, on average, approximately \$700,000.

NOTE 3 PROPERTY AND EQUIPMENT

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

	<u>2019</u>	<u>2018</u>
Land	\$ 268,500	\$ 268,500
Building and Building Improvements	1,187,798	1,183,398
Furniture and Equipment	620,177	581,937
Vehicles	<u>188,698</u>	<u>136,965</u>
Subtotal	2,265,173	2,170,800
Less: Accumulated Depreciation	<u>1,029,238</u>	<u>904,295</u>
Property and Equipment, Net	<u><u>\$ 1,235,935</u></u>	<u><u>\$ 1,266,505</u></u>

Depreciation and amortization expense was \$124,946 and \$119,464 for the years ended June 30, 2019 and 2018, respectively.

NOTE 4 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, 2019 and 2018, the Organization has a due to agency balance of \$15,646 and \$14,171, respectively.

CATHOLIC CHARITIES OF THE DIOCESE OF PALM BEACH, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

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 and Cash Equivalents

The Organization has cash deposited with the Diocese of Palm Beach Savings Fund Trust (SFT) of approximately \$3,113,630 and \$3,966,776 for the years ended June 30, 2019 and 2018. 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 years ended June 30, 2019 and 2018, the Organization received an operating subsidy of approximately \$1,500,000 and \$1,500,000.

Transactions with Board Members

For the years ended June 30, 2019 and 2018, the Organization received \$119,670 and \$33,400, respectively, in contributions from board members. The Organization also incurred expenses for the years ended June 30, 2019 and 2018 of \$49,882 and \$15,970, respectively, with businesses for which board members work for.

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.

CATHOLIC CHARITIES OF THE DIOCESE OF PALM BEACH, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 6 EMPLOYEE BENEFIT PLANS (CONTINUED)

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.

The Organization's participation in the plans for the year ended June 30, 2019 is outlined in the table below. The EIN column provides the Employer Identification Number. The most recent Pension Protection Act (PPA) zone status in 2018 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% 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>2019 Contributions</u>	<u>2018 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	\$ 54,699	\$ 80,119	No	N/A
The Diocese of Palm Beach, Inc. 403(b) Plan	<u>292,356</u>	<u>206,176</u>	No	N/A
	<u>\$ 347,055</u>	<u>\$ 286,295</u>		

**CATHOLIC CHARITIES OF THE DIOCESE OF PALM BEACH, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

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.

Rent and Leases

The Organization leases office space and equipment under various operating leases. Rental expense was \$532,141, including \$452,126 in contributed facilities for the year ended June 30, 2019. Rental expense was \$528,556, including \$481,811 in contributed facilities for the year ended June 30, 2018.

Future minimum payments under noncancelable office space and equipment leases at June 30, 2019 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 86,193
2021	79,312
2022	33,024
2023	33,024
2024	33,024
Thereafter	41,280
Total	<u>\$ 305,857</u>

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

Net asset with donor restrictions are restricted for the following programs as of June 30:

	<u>2019</u>	<u>2018</u>
Purpose Restrictions:		
Elder Affairs	\$ 384,620	\$ 658,897
Outreach	510,599	556,811
Other Projects	<u>325,783</u>	<u>397,856</u>
Total Purpose Restrictions	1,221,002	1,613,564
 Time Restriction for Future Fiscal Years	 <u>125,000</u>	 <u>-</u>
Total	<u>\$ 1,346,002</u>	<u>\$ 1,613,564</u>



**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, 2019, 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 October 8, 2019.

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 a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a material weakness.

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 subject 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
October 8, 2019



**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, 2019. 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, 2019.

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 identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2019-002 that we consider to be a material weakness.

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.

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, 2019, and have issued our report thereon dated October 8, 2019, 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
October 8, 2019

**CATHOLIC CHARITIES OF THE DIOCESE OF PALM BEACH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Entity Program Title	CFDA Number	Pass-Through Entity Identifying Number	Expenditures
FEDERAL AWARDS			
Department of Justice			
Services for Trafficking Victims	16.320		\$ 329,593
<i>Pass-through - Palm Beach County:</i>			
Services for Immigrant Victims of Domestic Violence	16.590	R-2018-0868	6,154
Total Department of Justice			<u>335,747</u>
U.S. Department of Health and Human Services			
<i>Pass-through U.S. Conference of Catholic Bishops:</i>			
Refugee and Entrant Assistance Voluntary Agency Programs	93.567	90RV0070-02	343,649
Total U.S. Department of Health and Human Services			<u>343,649</u>
U.S. Department of Homeland Security			
<i>Pass-through - St. Vincent De Paul Society:</i>			
Disaster Case Manager Program	97.088	82-0658251	498,130
<i>Pass-through U.S. Conference of Catholic Bishops:</i>			
Emergency Food and Shelter National Board	97.024	168600-002	64,500
Cuban/Haitian Entrant Program	97.009	2014-CI-009-000001-01	550
Trafficking Victim Assistance Program	93.598	2018-ACF-IOAS-OTIP-ZV-1369	43,785
Total U.S. Department of Homeland Security			<u>606,965</u>
Total Expenditures of Federal Awards			<u>\$ 1,286,361</u>

**CATHOLIC CHARITIES OF THE DIOCESE OF PALM BEACH
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019**

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, 2019. 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
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	Yes
Significant deficiency identified?	None reported
Noncompliance material to basic financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
Material weakness identified?	Yes
Significant deficiencies identified?	None reported
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 Programs

CFDA Number	Name of Federal Program or Cluster
93.567	Refugee and Entrant Assistance Voluntary Agency Programs- Matching Grant
97.088	Disaster Assistance Projects

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
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

Section II – Financial Statement Findings

2019 – 001

Type of Finding:

Material Audit 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: During the fiscal year ended June 30, 2019, contribution revenue in the amount of \$125,000 was received and recorded as deferred revenue instead of revenue with donor imposed time restriction.

Effect: Deferred revenue as of June 30, 2019 was overstated and contribution revenue for the year ended June 30, 2019 was understated by \$125,000.

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

Repeat Finding: No

Recommendation: We recommend that contribution revenue is recorded in the correct period.

Views of responsible officials and planned corrective actions: Management concurs.

**CATHOLIC CHARITIES OF THE DIOCESE OF PALM BEACH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

Section III – Findings and Questioned Costs – Major Federal Programs

2019 – 002

Federal Agency: Department of Homeland Security

Program Title: Disaster Case Manager Programs

CFDA Number: 97.088

Award Period: May 31, 2018 through September 30, 2019

Type of Finding:

Material Weakness in Internal Control over Compliance

Condition: There was no formal review process in place over cash reimbursement requests submitted.

Criteria: The Organization's management is responsible for establishing and maintaining internal controls to ensure that compliance requirements of grants are being met.

Context: Audit procedures surrounding internal control testing over reimbursement requests made identified that there was no formal review process in place.

Effect: The risks of error or fraud increases when there is no formal review process in place.

Cause: The Disaster Assistance Grant was new for the current year and formal processes were not yet in place.

Repeat Finding: No

Recommendation: We recommend that a system of procedure of review over reimbursement requests is implemented.

Views of responsible officials and planned corrective actions: Management concurs.