

**CATHOLIC CHARITIES OF THE
DIOCESE OF FRESNO**

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
JUNE 30, 2018 AND 2017**

**CATHOLIC CHARITIES OF THE DIOCESE OF FRESNO
FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Catholic Charities of the Diocese of Fresno
Fresno, California

We have audited the accompanying financial statements of Catholic Charities of the Diocese of Fresno (the Organization), a nonprofit organization, which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years 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.

Auditor's 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 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 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 Organization'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 Organization'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.

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Clovis, CA 93612

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Catholic Charities of the Diocese of Fresno as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Price Pange & Company

Clovis, California
January 28, 2019

FINANCIAL STATEMENTS

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**CATHOLIC CHARITIES OF THE DIOCESE OF FRESNO
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017**

	2018	2017
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 2,541,476	\$ 2,966,005
Grants receivable	96,575	22,295
Inventory	83,948	74,943
Prepaid expenses	2,462	1,162
Total current assets	2,724,461	3,064,405
Cash - trust funds	3,476,084	3,072,122
Property and equipment, net	1,586,340	1,574,259
Investments	1,218,776	-
Total assets	\$ 9,005,661	\$ 7,710,786

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	\$ 71,572	\$ 83,129
Accrued expenses	60,830	61,615
Deferred revenue	58,185	-
Total current liabilities	190,587	144,744
Trust funds payable	3,476,084	3,072,122
Total liabilities	3,666,671	3,216,866
Net Assets:		
Temporarily restricted	208,657	195,276
Unrestricted	5,130,333	4,298,644
Total net assets	5,338,990	4,493,920
Total liabilities and net assets	\$ 9,005,661	\$ 7,710,786

See Independent Auditor's Report and Notes to the Financial Statements.

**CATHOLIC CHARITIES OF THE DIOCESE OF FRESNO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and support:			
Contributions	\$ 1,316,266	\$ 47,230	\$ 1,363,496
Donated materials and services	3,366,000	-	3,366,000
Grant revenue	833,241	109,198	942,439
Thrift shop sales	107,144	-	107,144
Program service fees	358,937	-	358,937
Special events, net	1,092,624	-	1,092,624
Other income	44,608	-	44,608
Investment earnings, net	<u>12,531</u>	<u>-</u>	<u>12,531</u>
Total revenues and support before net assets released from restriction	<u>7,131,351</u>	<u>156,428</u>	<u>7,287,779</u>
Net assets released from restriction	<u>143,047</u>	<u>(143,047)</u>	<u>-</u>
Total revenues and support after reclassification of net assets released from restriction	<u>7,274,398</u>	<u>13,381</u>	<u>7,287,779</u>
Expenses:			
Program services:			
Social services	4,626,051	-	4,626,051
Payee services	540,075	-	540,075
Senior companion services	460,408	-	460,408
Thrift shop	127,087	-	127,087
Career and Education Center	<u>76,705</u>	<u>-</u>	<u>76,705</u>
Total program services	<u>5,830,326</u>	<u>-</u>	<u>5,830,326</u>
Supporting services:			
Management and general	402,296	-	402,296
Fundraising	<u>210,087</u>	<u>-</u>	<u>210,087</u>
Total supporting services	<u>612,383</u>	<u>-</u>	<u>612,383</u>
Total expenses	<u>6,442,709</u>	<u>-</u>	<u>6,442,709</u>
Changes in net assets	831,689	13,381	845,070
Net assets, beginning of year	<u>4,298,644</u>	<u>195,276</u>	<u>4,493,920</u>
Net assets, end of year	<u>\$ 5,130,333</u>	<u>\$ 208,657</u>	<u>\$ 5,338,990</u>

See Independent Auditor's Report and Notes to the Financial Statements.

**CATHOLIC CHARITIES OF THE DIOCESE OF FRESNO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and support:			
Contributions	\$ 948,107	\$ 75,700	\$ 1,023,807
Donated materials and services	3,282,444	-	3,282,444
Grant revenue	700,964	10,000	710,964
Thrift shop sales	98,164	-	98,164
Program service fees	373,816	-	373,816
Special events, net	843,582	-	843,582
Other income	5,597	-	5,597
Investment earnings, net	<u>-</u>	<u>-</u>	<u>-</u>
 Total revenues and support before net assets released from restriction	 <u>6,252,674</u>	 <u>85,700</u>	 <u>6,338,374</u>
 Net assets released from restriction	 <u>42,364</u>	 <u>(42,364)</u>	 <u>-</u>
 Total revenues and support after reclassification of net assets released from restriction	 <u>6,295,038</u>	 <u>43,336</u>	 <u>6,338,374</u>
 Expenses:			
Program services:			
Social services	4,262,675	-	4,262,675
Payee services	471,938	-	471,938
Senior companion services	502,308	-	502,308
Thrift shop	138,311	-	138,311
Career and Education Center	<u>12,607</u>	<u>-</u>	<u>12,607</u>
 Total program services	 <u>5,387,839</u>	 <u>-</u>	 <u>5,387,839</u>
 Supporting services:			
Management and general	452,073	-	452,073
Fundraising	<u>154,717</u>	<u>-</u>	<u>154,717</u>
 Total supporting services	 <u>606,790</u>	 <u>-</u>	 <u>606,790</u>
 Total expenses	 <u>5,994,629</u>	 <u>-</u>	 <u>5,994,629</u>
 Changes in net assets	 300,409	 43,336	 343,745
 Net assets, beginning of year	 <u>3,998,235</u>	 <u>151,940</u>	 <u>4,150,175</u>
 Net assets, end of year	 <u>\$ 4,298,644</u>	 <u>\$ 195,276</u>	 <u>\$ 4,493,920</u>

See Independent Auditor's Report and Notes to the Financial Statements.

**CATHOLIC CHARITIES OF THE DIOCESE OF FRESNO
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018**

	PROGRAM SERVICES-90%					SUPPORTING SERVICES-10%		Total
	Social Services	Payee Services	Senior Services	Thrift Shop	Career and Education Center	Management and General	Fundraising	
Personnel Expenses:								
Salaries	\$ 409,528	\$ 277,496	\$ 91,806	\$ 53,954	\$ 42,874	\$ 180,675	\$ 119,729	\$ 1,176,062
Payroll taxes and benefits	<u>127,735</u>	<u>83,134</u>	<u>20,076</u>	<u>20,661</u>	<u>8,834</u>	<u>51,672</u>	<u>22,128</u>	<u>334,240</u>
Total personnel expenses	537,263	360,630	111,882	74,615	51,708	232,347	141,857	1,510,302
Food and other assistance	3,747,896	-	44,033	-	403	-	-	3,792,332
Professional service	20,531	12,147	3,154	3,108	35	34,203	5,731	78,909
Occupancy and telephone	62,420	40,534	15,876	15,029	221	2,326	1,447	137,853
Travel and conferences	11,450	7,382	25,736	3,473	151	11,054	3,915	63,161
Materials and supplies	63,140	30,133	9,935	8,412	3,645	7,604	4,900	127,769
Maintenance and repairs	42,192	5,054	1,856	9,648	6,464	1,764	1	66,979
Stipends	-	-	228,744	-	-	-	-	228,744
Printing	5,289	7,404	91	371	-	306	21,344	34,805
Postage	1,270	7,021	237	-	-	689	4,618	13,835
Equipment lease	6,308	5,098	1,268	1,247	-	3,236	11	17,168
Depreciation	63,122	336	-	3,688	-	46,483	-	113,629
Security	53,559	33,779	6,588	6,369	600	8,092	3,178	112,165
Other expenses	10,970	30,198	7,342	1,127	478	47,976	23,085	121,176
Meals	641	359	3,666	-	-	6,216	-	10,882
Scholarships	-	-	-	-	13,000	-	-	13,000
Total expenses	<u>\$ 4,626,051</u>	<u>\$ 540,075</u>	<u>\$ 460,408</u>	<u>\$ 127,087</u>	<u>\$ 76,705</u>	<u>\$ 402,296</u>	<u>\$ 210,087</u>	<u>\$ 6,442,709</u>

See Independent Auditor's Report and Notes to the Financial Statements.

**CATHOLIC CHARITIES OF THE DIOCESE OF FRESNO
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017**

	PROGRAM SERVICES-90%					SUPPORTING SERVICES-10%		Total
	Social Services	Payee Services	Senior Services	Thrift Shop	Career and Education Center	Management and General	Fundraising	
Personnel Expenses:								
Salaries	\$ 370,307	\$ 222,283	\$ 82,958	\$ 68,513	\$ -	\$ 225,142	\$ 79,524	\$ 1,048,727
Payroll taxes and benefits	94,020	68,178	29,316	21,535	-	48,405	10,389	271,843
Total personnel expenses	464,327	290,461	112,274	90,048	-	273,547	89,913	1,320,570
Food and other assistance	3,524,116	-	70,777	-	-	2,169	-	3,597,062
Professional service	17,158	13,224	3,908	3,225	223	46,626	3,797	88,161
Occupancy and telephone	60,025	41,246	17,457	13,125	-	2,549	1,096	135,498
Travel and conferences	7,053	7,124	28,816	3,162	405	11,791	1,339	59,690
Materials and supplies	56,898	28,542	10,091	9,139	8,739	6,160	5,605	125,174
Maintenance and repairs	19,106	6,148	2,224	7,922	544	1,265	29	37,238
Stipends	-	-	237,195	-	-	-	-	237,195
Printing	4,036	4,709	116	170	320	504	25,200	35,055
Postage	1,184	12,291	218	1	186	536	4,736	19,152
Equipment lease	7,519	5,051	1,591	1,188	-	3,484	-	18,833
Depreciation	63,421	405	-	3,688	-	47,558	-	115,072
Security	23,179	15,804	6,496	4,945	-	8,476	2,327	61,227
Other expenses	13,462	46,500	8,428	1,686	2,190	38,977	20,431	131,674
Meals	1,191	433	2,717	12	-	8,431	244	13,028
Total expenses	<u>\$ 4,262,675</u>	<u>\$ 471,938</u>	<u>\$ 502,308</u>	<u>\$ 138,311</u>	<u>\$ 12,607</u>	<u>\$ 452,073</u>	<u>\$ 154,717</u>	<u>\$ 5,994,629</u>

See Independent Auditor's Report and Notes to the Financial Statements.

**CATHOLIC CHARITIES OF THE DIOCESE OF FRESNO
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Changes in net assets	\$ 845,070	\$ 343,745
Adjustments to reconcile change in net assets to net cash provided in operating activities:		
Depreciation	113,629	115,072
Loss on disposal of assets	4,931	10,804
Unrealized (gain) on investments	(4,223)	-
Change in operating assets and liabilities:		
Decrease (increase) in:		
Grants receivable	(74,280)	60,436
Inventory	(9,006)	(18,521)
Prepaid expenses	(1,300)	(640)
Increase (decrease) in:		
Accounts payable	(11,557)	5,382
Accrued expenses	(785)	10,036
Deferred revenue	<u>58,185</u>	<u>-</u>
Net cash provided by operating activities	<u>920,664</u>	<u>526,314</u>
Cash flows from investing activities:		
Purchase of property and equipment	(130,640)	(36,574)
Purchase of marketable securities	(1,250,000)	-
Sales of marketable securities	<u>35,447</u>	<u>-</u>
Net cash used in investing activities	<u>(1,345,193)</u>	<u>(36,574)</u>
Net increase (decrease) in cash	(424,529)	489,740
Cash, beginning of year	<u>2,966,005</u>	<u>2,476,265</u>
Cash, end of year	<u>\$ 2,541,476</u>	<u>\$ 2,966,005</u>

**CATHOLIC CHARITIES OF THE DIOCESE OF FRESNO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 1 – ORGANIZATION AND OPERATIONS

Catholic Charities of the Diocese of Fresno (the Organization) is a non-profit organization established to provide various programs to help individuals in need. The programs operate in the San Joaquin Valley of California in Fresno, Kern and Merced counties. The following summary provides an overview of programs:

Social Services - The Social Services Programs provide for the poor and vulnerable individuals that are in need. The help provided to these individuals are far-reaching and diverse. The various social service departments provide for needs not covered by other programs. Some of the services include emergency assistance such as food baskets to individuals living at or below the federal poverty level, clothing and shelter, rent and utility assistance. Funds for emergency travel, help with certain prescriptions, ID's, burial assistance, and referral services are also provided.

Payee Services - Representative Payee Program provides assistance to any person needing help with the management of their monthly resources.

Senior Companion Program - The Senior Companion Program provides senior companions (volunteers age 60 and over) who provide assistance and friendship to other seniors who have difficulty with their daily living tasks. The service these companions provide help the weak and frail elderly live independently in their own homes instead of moving to institutional care. Eligible senior companions earn a small tax-free stipend to cover the cost of serving. They also receive reimbursement for transportation, an annual physical examination and supplemental accident and liability coverage while they are serving.

Thrift Shop – The Thrift Shops accept donations of clothing, furniture, utensils and other household items from the community. These goods are sold to the public and the proceeds used to carry out the Organization's mission. Clothing is given to people in need that are referred to the Organization by other agencies and churches at no cost.

Career and Education Center – The Career and Education Center provides clients with courses taught by certified instructors such as General Educational Diploma preparedness and vocational skills, including computer, time and life management, communication, and customer service. The courses are provided at no charge to clients and with no eligibility requirements in order to further encourage success and self-sufficiency and help broaden their knowledge and education.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Statements

The financial statements of the Organization have been prepared on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America. The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. At June 30, 2018 and 2017, the Organization had no permanently restricted net assets.

Cash and Cash Equivalents

Cash consists of various demand and interest-bearing accounts on deposit with an insured financial institution. The Organization considers cash equivalents to include all investments available for current use with an original maturity of three months or less. All cash and cash equivalents are deemed available for operations and classified as current assets.

CATHOLIC CHARITIES OF THE DIOCESE OF FRESNO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Credit Risk

The Organization maintains cash balances with various financial institutions insured by the Federal Deposit Insurance Corporation. The uninsured portions of these balances were \$2,257,505 and \$2,722,448 as of June 30, 2018 and 2017, respectively.

Grants Receivable

Grants receivable primarily represent amounts due under government contracts and grants. Grants receivable are stated at the amount management expects to collect. Balances that are still outstanding after management has used reasonable collection efforts are deemed uncollectible. The Organization had no write-offs for the years ended June 30, 2018 and 2017.

Inventory

Inventory consists of donated and purchased food. Purchased inventory is valued at cost on the FIFO (first-in, first-out) method. The approximate average wholesale value of one pound of donated product at the national level, which was determined to be \$1.68 and \$1.73, respectively, during 2018 and 2017, was based upon a study performed by Feeding America.

Property and Equipment

Property and equipment are stated at cost or, if donated and placed into service, at their estimated fair value at the date donated. All assets acquired by the Organization whose initial value or cost exceeds \$1,500 are capitalized and depreciated. Routine repairs and maintenance are expensed when incurred. Depreciation is computed using straight-line method over the following estimated useful lives:

<u>Type of Asset</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	7-39 years
Furniture and equipment	3-7 years
Vehicles	5 years

Fair Value of Financial Instruments

The Organization considers its cash, grants receivable, prepaid expenses, accounts payable and accrued expenses to be short-term in nature, and therefore their fair values approximate their carrying values.

Investment Securities

Investment securities are stated at their estimated fair value based on quoted closing prices. Investment income, including unrealized gains and losses, interest, dividends and related items are recognized in the Statement of Activities as they are incurred.

Revenue Recognition

The Organization recognizes revenue when services are rendered. A receivable is recorded to the extent the amount earned exceeds cash advances. Conversely, a liability is recorded when cash advances exceed amounts earned.

Funding sources may, at their discretion, request reimbursement for expenses or return of funds, or both, as a result of noncompliance by the Organization with the terms of the grants or contracts. Additionally, if the Organization terminates its activities, all unearned amounts are to be returned to the funding sources.

CATHOLIC CHARITIES OF THE DIOCESE OF FRESNO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

Contributions are generally recorded when received. All contributions are available for unrestricted use unless specifically restricted by the donor. The Organization reports gifts of cash and other assets as temporarily or permanently restricted if they are received with donor stipulations that limit the use of the donated assets.

Permanently restricted net assets are subject to donor-imposed stipulations requiring that they be retained permanently. Generally, the donors of these assets permit the use of the income earned on these assets. The Organization did not have permanently restricted net assets as of June 30, 2018 and 2017.

Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met either by actions and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions or grants received and expended in the in the same fiscal year are recorded as unrestricted net asset. Net assets released from restriction during the years ended June 30, 2018 and June 30, 2017 were \$143,047 and \$42,364, respectively.

Thrift Store

Contributions of clothing, household goods and other items to the Organization's thrift store are recognized as thrift store revenues, when, and if, sold. Inventories of such items in the thrift store are not included as assets in the Statement of Financial Position.

Donated In-Kind Gifts and Services

Donated in-kind gifts are recognized as contributions if they have ascertainable fair values and are able to be realized in cash or other liquid assets. During the years ended June 30, 2018 and 2017, the Organization received and recognized \$3,721,577 and \$3,467,096, respectively, of food contributions.

Donated services are recognized as contributions if they significantly enhance non-financial assets or involve a professional service that would otherwise have been purchased and whose values can be objectively measured. The Organization received \$44,338 and \$71,834 in donated services for the years ended June 30, 2018 and 2017, respectively.

Allocation of Functional Expenses

The costs of providing the Organization's programs and supporting services have been summarized on a functional basis in the accompanying Statement of Activities. Certain overhead and indirect costs have been allocated to program services and fundraising based on management's estimate of the actual personnel and facilities used in such activities. Management and general include those expenses that are not directly identifiable with any specific program but provide for the overall support and direction of the Organization.

Accrued Compensated Absences

The Organization provides its employees with vacation, sick and other leave benefits in accordance with its policies. The Organization's costs for these benefits are expensed as they are vested in the employee. Sick leave is not vested and therefore, not paid or accrued.

**CATHOLIC CHARITIES OF THE DIOCESE OF FRESNO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising

The Organization expenses all advertising costs as incurred. Total advertising expenses were \$4,880 and \$6,364 at June 30, 2018 and 2017, respectively.

Income Tax Status

The Organization has qualified as a non-profit organization and has been granted tax-exempt status pursuant to Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d) and is exempt from Federal and State of California income taxes.

Generally accepted accounting principles provides accounting and disclosures guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions take in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Organization's returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

Use of Estimates

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

NOTE 3 – CASH – TRUST FUNDS

The Organization holds cash in trust for participants in various programs. The use of these funds is limited to the uses defined by the Social Security Administration and Veterans Administration.

NOTE 4 – INVESTMENTS

The fair value of investments is as follows at June 30:

	<u>2018</u>	<u>2017</u>
Domestic equity funds	\$ 470,257	\$ -
International equity funds	248,658	-
Fixed income	<u>499,861</u>	<u>-</u>
Total	<u>\$ 1,218,776</u>	<u>\$ -</u>

Investment earnings consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
Investment earnings	\$ 24,211	\$ -
Unrealized gain/loss	(4,223)	-
Investment expense	<u>(7,457)</u>	<u>-</u>
Investment earnings, net	<u>\$ 12,531</u>	<u>\$ -</u>

CATHOLIC CHARITIES OF THE DIOCESE OF FRESNO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 4 – INVESTMENTS (Continued)

Generally accepted accounting principles define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Generally accepted accounting principles establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant observable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1: Inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities. Valuations are for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2: Inputs other than quoted prices within Level 1 that are observable, either directly or indirectly. Valuations are for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities. The Organization has no financial assets or liabilities of this category.

Level 3: Inputs are unobservable. Valuations are for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discount cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining fair value assigned to such assets or liabilities. The Organization has no financial assets or liabilities in this category.

The table below presents the level within the fair value hierarchy at which investments are measured at June 30, 2018:

Description	Level 1	Level 2	Level 3
Domestic equity funds	\$ 470,257	\$ -	\$ -
International equity funds	248,658	-	-
Fixed income	<u>499,861</u>	-	-
	<u>\$ 1,218,776</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 5 – PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following at June 30:

	2018	2017
Land	\$ 532,444	\$ 532,444
Construction in progress	27,955	-
Buildings and improvements	2,039,677	2,046,107
Vehicles	105,219	49,548
Equipment, furniture and computers	<u>341,050</u>	<u>469,277</u>
	3,046,345	3,097,376
Accumulated depreciation	<u>(1,460,005)</u>	<u>(1,523,117)</u>
Property and equipment, net	<u>\$ 1,586,340</u>	<u>\$ 1,574,259</u>

Total depreciation expense for the years ended June 30, 2018 and 2017 was \$113,629 and \$115,072, respectively.

**CATHOLIC CHARITIES OF THE DIOCESE OF FRESNO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 6 – LEASES

The Organization leases equipment under various operating agreements. Minimum future rental payments under operating leases having remaining terms in excess of one year at June 30, 2018 are as follows:

<u>Years Ending</u>	
2019	\$ 16,177
2020	14,403
2021	14,403
2022	14,232
2023	<u>12,360</u>
Total	<u>\$ 71,575</u>

Total rent expense for the years ended June 30, 2018 and June 30, 2017 was \$16,992 and \$14,706, respectively. In the normal course of business, operating leases are generally renewed or replaced by other leases.

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
Pusateri	\$ 76,865	\$ 115,103
HOH Fundraiser - Career and Ed Center - Bakersfield	29,089	31,100
HOH Fundraiser - Career and Ed Center - Fresno	25,280	29,150
Central Valley Community Foundation	14,451	14,451
Bank of America Charitable Foundation	10,472	5,472
Donor Advised Grant	50,000	-
Wells Fargo Foundation	<u>2,500</u>	<u>-</u>
Total temporarily restricted net assets	<u>\$ 208,657</u>	<u>\$ 195,276</u>

NOTE 8 – FOOD AND OTHER ASSISTANCE

Food and other assistance reflected in the Statements of Functional Expenses consists of the following at June 30:

	<u>2018</u>	<u>2017</u>
Food	\$ 3,633,841	\$ 3,467,096
Lodging and rent	101,540	71,898
Utilities	41,319	34,610
Transportation	349	261
Miscellaneous (gas, vouchers, ID cards, prescriptions)	<u>15,283</u>	<u>23,197</u>
	<u>\$ 3,792,332</u>	<u>\$ 3,597,062</u>

**CATHOLIC CHARITIES OF THE DIOCESE OF FRESNO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 9 – RELATED PARTY TRANSACTIONS

Related parties include members of management, the board of directors and their immediate families; substantial contributors; entities controlled by the Organization; and entities controlled by members of the board of directors, management and their immediate families.

Included in the expenses of the Organization for the years ended June 30, 2018 and 2017, were amounts paid to the Diocese of Fresno of \$267,173 and \$245,345, respectively, for workers compensation, general liability and property insurance, auto insurance, and health benefits.

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated and conclude that there are no other subsequent events that have occurred from June 30, 2018 through the date the financial statements were available to be issued at January 28, 2019 that would require additional disclosure or adjustment.

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SUPPLEMENTARY INFORMATION

**CATHOLIC CHARITIES OF DIOCESE OF FRESNO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

<u>Federal Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Corporation for National and Community Service:		
Senior Companion Program	94.016	* \$ <u>358,396</u>
Total Corporation for National and Community Service		<u>358,396</u>
Department of Homeland Security:		
Emergency Food and Shelter National Board Program	97.024	<u>313,294</u>
Total Department of Homeland Security		<u>313,294</u>
United States Department of Agriculture:		
Supplemental Nutrition Assistance Program	10.561	<u>143,877</u>
Total United States Department of Agriculture		<u>143,877</u>
Total Expenditures of Federal Awards		<u>\$ <u>815,567</u></u>

**Denotes a major program per Uniform Guidance.*

**CATHLIC CHARITIES OF DIOCESE OF FRESNO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1 - GENERAL

The accompanying Schedule of Expenditures of Federal Awards (SEFA) presents the activity of all federal award programs of the Catholic Charities of Diocese of Fresno (the "Organization"). Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies are included in the schedule. The information in this SEFA is presented in accordance with the 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).

NOTE 2 - BASIS OF ACCOUNTING

The accompanying SEFA is presented using the accrual basis of accounting, which is described in Note 1 of the Organization's financial statements.

NOTE 3 - RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal award expenditures agree or can be reconciled with the amounts reported in the Organization's financial statements.

NOTE 4 - INDIRECT COST RATE

The Organization has elected not to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

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OTHER INDEPENDENT AUDITOR'S REPORTS

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

To the Board of Directors
Catholic Charities of the Diocese of Fresno
Fresno, California

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 Fresno (the Organization), which comprise the statement of financial position as of June 30, 2018, and the related statements 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 January 28, 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 Organization's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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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*.

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.

Price Pange & Company

Clovis, California
January 28, 2019



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

To the Board of Directors
Catholic Charities of the Diocese of Fresno
Fresno, California

Report on Compliance for Each Major Federal Program

We have audited Catholic Charities of Diocese of Fresno (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2018. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization'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; 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 the Organization'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 the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, Catholic Charities of Diocese of Fresno complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2018.

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Report on Internal Control Over Compliance

Management of the Organization 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 the Organization'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 each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Price Pange & Company

Clovis, California
January 28, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**CATHOLIC CHARITIES OF DIOCESE OF FRESNO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor's report issued:	<u>Unmodified</u>	
Internal control over financial reporting:		
Material weaknesses identified?	_____ yes	_____ <u>X</u> no
Significant deficiencies identified - not considered to be material weaknesses?	_____ yes	_____ <u>X</u> none reported
Noncompliance material to financial statements noted?	_____ yes	_____ <u>X</u> no

Federal Awards

Internal control over major programs:		
Material weaknesses identified?	_____ yes	_____ <u>X</u> no
Significant deficiencies identified - not considered to be material weaknesses?	_____ yes	_____ <u>X</u> none reported
Type of auditor's report issued on compliance for major programs:	<u>Unmodified</u>	
Any audit findings disclosed that are required to be reported in accordance with 2CFR Section 200.516(a)	_____ yes	_____ <u>X</u> no

Identification of Major Programs

<u>SEFA Number</u>	<u>Name of Federal Program or Cluster</u>
94.016	Corporation for National and Community Service: Senior Companion Program
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$750,000</u>
Auditee qualified as low-risk auditee?	_____ yes _____ <u>X</u> no

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS

None reported.

**CATHOLIC CHARITIES OF DIOCESE OF FRESNO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

FINANCIAL STATEMENT FINDINGS

None reported.

FEDERAL AWARD FINDINGS

None reported.