

**CATHOLIC CHARITIES OF THE  
DIOCESE OF FRESNO**

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
JUNE 30, 2019 AND 2018**

**CATHOLIC CHARITIES OF THE DIOCESE OF FRESNO  
FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

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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 not-for-profit organization, which comprise the statements of financial position as of June 30, 2019 and 2018, 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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## **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, 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 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 April 13, 2020 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  
April 13, 2020

## FINANCIAL STATEMENTS

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**CATHOLIC CHARITIES OF THE DIOCESE OF FRESNO**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<u><b>ASSETS</b></u>		
Current Assets:		
Cash	\$ 2,814,456	\$ 2,541,476
Grants receivable	145,768	96,575
Inventory	183,538	83,948
Prepaid expenses	<u>2,797</u>	<u>2,462</u>
Total current assets	3,146,559	2,724,461
Cash - trust funds	3,208,194	3,476,084
Property and equipment, net	1,557,176	1,586,340
Investments	<u>1,270,520</u>	<u>1,218,776</u>
Total assets	<u>\$ 9,182,449</u>	<u>\$ 9,005,661</u>
<u><b>LIABILITIES AND NET ASSETS</b></u>		
Current Liabilities:		
Accounts payable	\$ 53,387	\$ 71,572
Accrued expenses	44,548	60,830
Deferred revenue	<u>5,224</u>	<u>58,185</u>
Total current liabilities	103,159	190,587
Trust funds payable	<u>3,208,194</u>	<u>3,476,084</u>
Total liabilities	<u>3,311,353</u>	<u>3,666,671</u>
Net Assets:		
With donor restrictions	450,604	208,657
Without donor restrictions	<u>5,420,492</u>	<u>5,130,333</u>
Total net assets	<u>5,871,096</u>	<u>5,338,990</u>
Total liabilities and net assets	<u>\$ 9,182,449</u>	<u>\$ 9,005,661</u>

**CATHOLIC CHARITIES OF THE DIOCESE OF FRESNO**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support:			
Contributions	\$ 658,808	\$ 290,000	\$ 948,808
Donated materials and services	3,775,554	-	3,775,554
Grant revenue	914,042	62,815	976,857
Thrift shop sales	113,480	-	113,480
Program service fees	350,059	-	350,059
Special events, net	1,323,160	-	1,323,160
Other income	16,648	-	16,648
Investment earnings, net	<u>74,454</u>	<u>-</u>	<u>74,454</u>
 Total revenues and support before net assets released from restriction	 <u>7,226,205</u>	 <u>352,815</u>	 <u>7,579,020</u>
 Net assets released from restriction	 <u>110,868</u>	 <u>(110,868)</u>	 <u>-</u>
 Total revenues and support after reclassification of net assets released from restriction	 <u>7,337,073</u>	 <u>241,947</u>	 <u>7,579,020</u>
Expenses:			
Program services:			
Social services	5,182,753	-	5,182,753
Payee services	528,883	-	528,883
Senior companion services	461,705	-	461,705
Thrift shop	113,843	-	113,843
Career and Education Center	<u>47,038</u>	<u>-</u>	<u>47,038</u>
 Total program services	 <u>6,334,222</u>	 <u>-</u>	 <u>6,334,222</u>
Supporting services:			
Management and general	483,324	-	483,324
Fundraising	<u>229,368</u>	<u>-</u>	<u>229,368</u>
 Total supporting services	 <u>712,692</u>	 <u>-</u>	 <u>712,692</u>
 Total expenses	 <u>7,046,914</u>	 <u>-</u>	 <u>7,046,914</u>
 Changes in net assets	 290,159	 241,947	 532,106
 Net assets, beginning of year	 <u>5,130,333</u>	 <u>208,657</u>	 <u>5,338,990</u>
 Net assets, end of year	 <u>\$ 5,420,492</u>	 <u>\$ 450,604</u>	 <u>\$ 5,871,096</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, 2018**

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</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.

	PROGRAM SERVICES-90%				Career and Education Center		SUPPORTING SERVICES-10%	
	Social Services		Payee Services	Senior Services	Thrift Shop	Management and General		Fundraising
Personnel Expenses:								
Salaries	\$ 439,147	\$ 265,081	\$ 86,277	\$ 50,738	\$ 35,716	\$ 256,962	\$ 129,324	
Payroll taxes and benefits	125,204	95,686	22,446	11,962	7,630	59,374	31,034	
Total personnel expenses	564,351	360,767	108,723	62,700	43,346	316,336	160,358	
Food and other assistance	4,183,019	-	61,968	-	691	-	-	-
Professional service	31,575	8,018	6,405	7,140	24	45,980	16,008	
Occupancy and telephone	68,921	40,867	14,029	11,516	-	2,490	1,603	
Travel and conferences	14,968	4,089	25,769	3,028	-	7,643	3,737	
Materials and supplies	75,598	27,925	8,937	6,928	2,700	9,918	5,224	
Maintenance and repairs	66,191	3,479	1,464	10,862	11	139	-	
Stipends	-	-	216,295	-	-	-	-	-
Printing	4,300	4,223	130	366	-	239	20,669	
Postage	700	7,086	158	1	-	621	5,001	
Equipment lease	8,100	5,510	1,125	865	-	3,225	6	
Depreciation	66,198	336	-	3,688	-	43,051	-	
Security	65,213	40,013	7,413	5,860	-	8,311	3,217	
Other expenses	32,785	26,475	6,189	889	266	38,697	13,545	
Meals	834	95	3,100	-	-	6,674	-	
Scholarships	-	-	-	-	-	-	-	
Total expenses	\$ 5,182,753	\$ 528,883	\$ 461,705	\$ 113,843	\$ 47,038	\$ 483,324	\$ 229,368	



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

	PROGRAM SERVICES-90%				SUPPORTING SERVICES-10%		
	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
Payroll taxes and benefits	127,735	83,134	20,076	20,661	8,834	51,672	22,128
Total personnel expenses	537,263	360,630	111,882	74,615	51,708	232,347	141,857
Food and other assistance	3,747,896	-	44,033	-	403	-	-
Professional service	20,531	12,147	3,154	3,108	35	34,203	5,731
Occupancy and telephone	62,420	40,534	15,876	15,029	221	2,326	1,447
Travel and conferences	11,450	7,382	25,736	3,473	151	11,054	3,915
Materials and supplies	63,140	30,133	9,935	8,412	3,645	7,604	4,900
Maintenance and repairs	42,192	5,054	1,856	9,648	6,464	1,764	1
Stipends	-	-	228,744	-	-	-	-
Printing	5,289	7,404	91	371	-	306	21,344
Postage	1,270	7,021	237	-	-	689	4,618
Equipment lease	6,308	5,098	1,268	1,247	-	3,236	11
Depreciation	63,122	336	-	3,688	-	46,483	-
Security	53,559	33,779	6,588	6,369	600	8,092	3,178
Other expenses	10,970	30,198	7,342	1,127	478	47,976	23,085
Meals	641	359	3,666	-	-	6,216	-
Scholarships	-	-	-	-	13,000	-	-
Total expenses	\$ 4,626,051	\$ 540,075	\$ 460,408	\$ 127,087	\$ 76,705	\$ 402,296	\$ 210,087
							\$ 6,442,709

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, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Changes in net assets	\$ 532,106	\$ 845,070
Adjustments to reconcile change in net assets to net cash provided in operating activities:		
Depreciation	113,273	113,629
Loss on disposal of assets	-	4,931
Discontinued construction in progress	23,000	-
Unrealized (gain) on investments	(4,223)	(4,223)
Change in operating assets and liabilities:		
Decrease (increase) in:		
Grants receivable	(49,193)	(74,280)
Inventory	(99,590)	(9,006)
Prepaid expenses	(335)	(1,300)
Increase (decrease) in:		
Accounts payable	(18,185)	(11,557)
Accrued expenses	(16,282)	(785)
Deferred revenue	<u>(52,961)</u>	<u>58,185</u>
Net cash provided by operating activities	<u>427,610</u>	<u>920,664</u>
Cash flows from investing activities:		
Purchase of property and equipment	(107,109)	(130,640)
Purchase of marketable securities	(47,521)	(1,250,000)
Sales of marketable securities	<u>-</u>	<u>35,447</u>
Net cash used in investing activities	<u>(154,630)</u>	<u>(1,345,193)</u>
Net increase (decrease) in cash	272,980	(424,529)
Cash, beginning of year	<u>2,541,476</u>	<u>2,966,005</u>
Cash, end of year	<u>\$ 2,814,456</u>	<u>\$ 2,541,476</u>

**CATHOLIC CHARITIES OF THE DIOCESE OF FRESNO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 1 – ORGANIZATION AND OPERATIONS**

Catholic Charities of the Diocese of Fresno (the Organization) is a not-for-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**

**New Accounting Pronouncement**

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. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

**CATHOLIC CHARITIES OF THE DIOCESE OF FRESNO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation**

The financial statements of the Organization have been prepared on the accrual basis of accounting and in accordance with U.S. generally accepted accounting principles (US GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

*Net assets without donor restrictions* - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

*Net assets with donor restrictions* - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

**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.

**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 \$2,554,720 and \$2,257,505 as of June 30, 2019 and 2018, 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, 2019 and 2018.

**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 \$1.62 and \$1.68, respectively, during 2019 and 2018, was based upon a study performed by Feeding America.

**CATHOLIC CHARITIES OF THE DIOCESE OF FRESNO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 Statements 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.

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 with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statements of Activities. Restricted contributions whose restrictions are met in the same reporting period are recorded as unrestricted contributions.

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 Statements of Financial Position.

**CATHOLIC CHARITIES OF THE DIOCESE OF FRESNO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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, 2019 and 2018, the Organization received and recognized \$3,743,258 and \$3,721,577, respectively, of in-kind 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 \$32,296 and \$44,338 in donated services for the years ended June 30, 2019 and 2018, respectively.

**Functional Allocation of Expenses**

The costs of providing the Organization's programs and supporting services have been summarized on a functional basis in the accompanying Statements 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.

The expenses allocated consist of the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries	Time and effort
Payroll taxes and benefits	Time and effort
Professional service	Time and effort
Occupancy and telephone	Time and effort
Travel and conferences	Time and effort
Materials and supplies	Time and effort
Maintenance and repairs	Time and effort
Printing	Time and effort
Postage	Time and effort
Equipment lease	Time and effort
Depreciation	Time and effort
Security	Time and effort
Other expenses	Time and effort
Meals	Time and effort

**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.

**Advertising**

The Organization expenses all advertising costs as incurred. Total advertising expenses were \$5,036 and \$4,880 at June 30, 2019 and 2018, respectively.



**CATHOLIC CHARITIES OF THE DIOCESE OF FRESNO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Income Tax Status**

The Organization has qualified as a not-for-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.

**Reclassifications**

Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications had no impact on previously reported net assets at June 30, 2018.

**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 Veteran's Administration.

**NOTE 4 – AVAILABILITY AND LIQUIDITY**

The following represents the Organization's financial assets as of June 30, 2019:

Cash and cash equivalents	\$ 2,814,456
Investments	1,270,520
Grants receivable	<u>145,768</u>
Total financial assets	4,230,744
Less amounts not available to be used within one year:	
Net assets with donor restrictions	<u>450,604</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 3,780,140</u>

As part of the Organization's liquidity management, the Organization consistently identifies financial assets and assesses the availability of each financial asset to meet cash needs for general expenditures and to identify liquidity risks and strategies and actions taken to manage liquidity needs, including certain board-designated funds, donor restricted funds, donor-advised funds, cash restrictions for capital projects and investments held. The Organization's goal is to maintain enough cash and cash equivalents and marketable securities to cover 180 days of operational expenses.

**CATHOLIC CHARITIES OF THE DIOCESE OF FRESNO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 5 – INVESTMENTS**

Investments consist of the following at June 30:

	<u>Fair Value</u>	
	<u>2019</u>	<u>2018</u>
Domestic equity funds	\$ 491,210	\$ 470,257
International equity funds	235,626	248,658
Fixed income	<u>543,684</u>	<u>499,861</u>
Total investments	<u>\$ 1,270,520</u>	<u>\$ 1,218,776</u>

The following schedule summarizes the investment earnings in the Statements of Activities at June 30:

	<u>2019</u>	<u>2018</u>
Investment earnings	\$ 40,332	\$ 24,211
Unrealized gain/(loss)	48,472	(4,223)
Investment expense	<u>(14,350)</u>	<u>(7,457)</u>
Investment earnings, net	<u>\$ 74,454</u>	<u>\$ 12,531</u>

**NOTE 6 – FAIR VALUE MEASUREMENTS**

In accordance with generally accepted accounting principles, fair value is defined as the price that the Organization would receive upon selling an asset or pay to transfer a liability at the reporting date. Generally accepted accounting principles established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs, and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing an asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing an asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are those that reflect the Organization's own assumptions about the factors market participants would use in pricing the asset or liability, developed base on the best information available.

The three-tier hierarchy of inputs 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.

**CATHOLIC CHARITIES OF THE DIOCESE OF FRESNO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 6 – FAIR VALUE MEASUREMENTS (Continued)**

The table below presents the level within the fair value hierarchy at which investments are measured at June 30, 2019:

Description	Level 1	Level 2	Level 3
Domestic equity funds	\$ 491,210	\$ -	\$ -
International equity funds	235,626	-	-
Fixed income	<u>543,684</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,270,520</u>	<u>\$ -</u>	<u>\$ -</u>

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>-</u>	<u>-</u>
	<u>\$ 1,218,776</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTE 7 – PROPERTY AND EQUIPMENT, NET**

Property and equipment consist of the following at June 30:

	2019	2018
Land	\$ 532,444	\$ 532,444
Construction in progress	1,750	27,955
Buildings and improvements	2,116,798	2,039,677
Vehicles	105,219	105,219
Equipment, furniture and computers	<u>374,243</u>	<u>341,050</u>
	3,130,454	3,046,345
Accumulated depreciation	<u>(1,573,278)</u>	<u>(1,460,005)</u>
Property and equipment, net	<u>\$ 1,557,176</u>	<u>\$ 1,586,340</u>

Total depreciation expense for the years ended June 30, 2019 and 2018 was \$113,273 and \$113,629, respectively.

**CATHOLIC CHARITIES OF THE DIOCESE OF FRESNO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 8 – 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, 2019 are as follows:

<u>Years Ending</u>	
2020	\$ 19,875
2021	19,875
2022	17,811
2023	11,339
2024	<u>4,032</u>
Total	<u>\$ 72,932</u>

Total rent expense for the years ended June 30, 2019 and June 30, 2018 was \$18,728 and \$16,992, respectively. In the normal course of business, operating leases are generally renewed or replaced by other leases.

**NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Pusateri	\$ 333,202	\$ 76,865
HOH Fundraiser - Career and Ed Center - Bakersfield	12,096	29,089
HOH Fundraiser - Career and Ed Center - Fresno	22,850	25,280
Central Valley Community Foundation	6	14,451
Bank of America Charitable Foundation	15,472	10,472
Donor Advised Grant	50,000	50,000
Wells Fargo Foundation	2,500	2,500
Sunlight Giving Grant	<u>14,479</u>	<u>-</u>
Total net assets with donor restrictions	<u>\$ 450,605</u>	<u>\$ 208,657</u>

**NOTE 10 – FOOD AND OTHER ASSISTANCE**

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

	<u>2019</u>	<u>2018</u>
Food	\$ 4,006,365	\$ 3,613,677
Lodging and rent	137,209	113,322
Utilities	63,843	41,319
Transportation	1,365	1,189
Miscellaneous (gas, vouchers, ID cards, prescriptions)	<u>36,896</u>	<u>22,825</u>
	<u>\$ 4,245,678</u>	<u>\$ 3,792,332</u>

**CATHOLIC CHARITIES OF THE DIOCESE OF FRESNO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 11 – 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, 2019 and 2018, were amounts paid to the Diocese of Fresno of \$323,414 and \$267,173, respectively, for workers compensation, general liability and property insurance, auto insurance, and health benefits.

**NOTE 12 – SUBSEQUENT EVENTS**

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. In response, the State of California issued a shelter in-place order and the temporary closure of all businesses deemed to be nonessential. The order requires all individuals living in California to stay at home, except as needed to maintain continuity of the federal critical infrastructure sectors. The not-for-profit sector in which the Organization operates, is designated on the list of essential services and therefore continues to provide limited services while protecting the health and safety of its employees.

There is a degree of uncertainty on the adverse effects COVID-19 will have on the Organization. In recent weeks, the Organization has experienced decreases in its revenues from thrift store retail sales, contributions from the May Appeal, and previously scheduled fundraising events that have now been canceled. Additionally, COVID-19 has decreased staff attendance by 50%. Due to the uncertainty of revenue loss, the Organization applied for the Coronavirus Aid, Relief and Economic Security Act (CARES Act) Paycheck Protection Program on April 6, 2020. The application was subsequently approved on April 9, 2020. The ultimate financial impact on the Organization that could occur as a result of the pandemic is unknown at this time.

Management has evaluated and concluded that there are no other subsequent events that have occurred from June 30, 2019 through the date the financial statements were available to be issued at April 13, 2020 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, 2019**

<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>361,096</u>
Total Corporation for National and Community Service		<u>361,096</u>
Department of Homeland Security:		
Emergency Food and Shelter National Board Program	97.024	<u>271,405</u>
Total Department of Homeland Security		<u>271,405</u>
United States Department of Agriculture:		
Supplemental Nutrition Assistance Program	10.561	<u>216,975</u>
Total United States Department of Agriculture		<u>216,975</u>
 Total Expenditures of Federal Awards		 <u>\$ 849,476</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, 2019**

**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, 2019, 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 April 13, 2020.

**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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002 that we consider to be material weaknesses.

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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*.

## **Organization's Response to Findings**

The Organization's response to the findings identified in our audit is described in the accompanying corrective action plan following the schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Price Pange & Company*

Clovis, California  
April 13, 2020

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, 2019. 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, 2019.

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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  
April 13, 2020



## FINDINGS AND QUESTIONED COSTS

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

**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?	<u>  X  </u> Yes	<u>      </u> No
Significant deficiencies identified - not considered to be material weaknesses?	<u>      </u> Yes	<u>  X  </u> None reported
Noncompliance material to financial statements noted?	<u>      </u> Yes	<u>  X  </u> No

**Federal Awards**

Internal control over major programs:		
Material weaknesses identified?	<u>      </u> Yes	<u>  X  </u> No
Significant deficiencies identified - not considered to be material weaknesses?	<u>      </u> 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)	<u>      </u> Yes	<u>  X  </u> No

**Identification of Major Programs**

<u>CFDA 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?	<u>      </u> Yes <u>  X  </u> No

Note: For the year ended June 30, 2018, the external audit firm failed to submit the Data Collection Form to the Federal Audit Clearinghouse within thirty days of completion of the Organization's audit. In accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), this resulted in the Organization's designation as a high-risk auditee. The Organization had no material weaknesses or significant deficiencies in either of the prior two years and, except for this reporting oversight, would be considered a low risk-auditee.

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

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**Finding 2019-001 – Financial Close and Reporting Process (Material Weakness)**

<b>Condition:</b>	The Organization did not properly record or adjust all cash, investment, fixed assets, and deferred revenue accounts during the year-end closing process. We identified these errors during our audit and proposed the necessary accounting entries to correct the balances of these accounts. Management agreed with our adjustments and posted the entries.
<b>Criteria:</b>	A strong system of internal controls and management review requires that general ledger account balances be properly reconciled to a subsidiary ledger or other adequate supporting documentation on a periodic basis, as well as during the year-end financial close process. Management is responsible for maintaining accounting records in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).
<b>Cause:</b>	Internal controls over the year-end financial reporting process were not properly designed and were not placed in operation.
<b>Effect:</b>	As a result of this condition, cash, investment, fixed assets, and deferred revenue account balances were initially misstated.
<b>Recommendation:</b>	The Organization should enhance its year-end financial close procedures to include the additional steps necessary to ensure proper reconciliation and reporting of all significant account balances.

**Finding 2019-002 – Internal Control Over Payee Bank Reconciliations (Material Weakness)**

<b>Condition:</b>	The Organization's management did not perform review of bank reconciliations prepared for the Representative Payee bank accounts.
<b>Criteria:</b>	A strong system of internal controls and management review requires that bank reconciliations be timely prepared and reviewed to allow management to detect possible misstatements due to fraud or error. Management is responsible for ensuring internal controls are properly designed and implemented.
<b>Cause:</b>	During the fiscal year, the Organization experienced turnover in the Finance Director position. The review of bank reconciliations for the Representative Payee bank accounts was overlooked as part of the Finance Director job responsibilities during the transition and vacancy periods of the position.
<b>Effect:</b>	As a result of this condition payee cash accounts were initially misstated.
<b>Recommendation:</b>	The Organization should ensure internal control procedures over payee bank accounts are properly designed and implemented.

**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, 2019**

**FINANCIAL STATEMENT FINDINGS**

None reported.

**FEDERAL AWARD FINDINGS**

None reported.