

**CATHOLIC CHARITIES OF THE  
DIOCESE OF FRESNO**

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
JUNE 30, 2020 AND 2019**

**CATHOLIC CHARITIES OF THE DIOCESE OF FRESNO  
FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

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## INDEPENDENT AUDITOR'S REPORT

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

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

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, 2020 and 2019, 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, 2020 and 2019, 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 March 10, 2021 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  
March 10, 2021

## FINANCIAL STATEMENTS

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**CATHOLIC CHARITIES OF THE DIOCESE OF FRESNO  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2020 AND 2019**

	2020	2019
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 3,528,718	\$ 2,814,456
Grants receivable	141,498	145,768
Bequests receivable	219,161	-
Inventory	140,317	183,538
Prepaid expenses	1,923	2,797
Total current assets	4,031,617	3,146,559
Cash - trust funds	3,450,895	3,208,194
Property and equipment, net	1,829,338	1,557,176
Investments	1,282,695	1,270,520
Total assets	\$ 10,594,545	\$ 9,182,449

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	\$ 99,059	\$ 53,387
Accrued expenses	62,847	44,548
Unearned revenue	144,255	5,224
Total current liabilities	306,161	103,159
SBA PPP Loan	305,400	-
Trust funds payable	3,450,895	3,208,194
Total liabilities	4,062,456	3,311,353
Net Assets:		
With donor restrictions	644,580	450,604
Without donor restrictions	5,887,509	5,420,492
Total net assets	6,532,089	5,871,096
Total liabilities and net assets	\$ 10,594,545	\$ 9,182,449

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, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and support:			
Contributions	\$ 1,420,314	\$ 280,160	\$ 1,700,474
Donated materials and services	3,654,972	-	3,654,972
Grant revenue	910,594	25,000	935,594
Thrift shop sales	85,047	-	85,047
Program service fees	335,390	-	335,390
Special events, net of direct expenses of \$134,500	818,526	-	818,526
Other income	41,731	-	41,731
Investment earnings, net	<u>(4,779)</u>	<u>-</u>	<u>(4,779)</u>
 Total revenues and support before net assets released from restriction	 <u>7,261,795</u>	 <u>305,160</u>	 <u>7,566,955</u>
 Net assets released from restriction	 <u>111,184</u>	 <u>(111,184)</u>	 <u>-</u>
 Total revenues and support after reclassification of net assets released from restriction	 <u>7,372,979</u>	 <u>193,976</u>	 <u>7,566,955</u>
 Expenses:			
Program services:			
Social services	4,984,603	-	4,984,603
Payee services	606,264	-	606,264
Senior companion services	432,968	-	432,968
Thrift shop	101,365	-	101,365
Career and Education Center	<u>46,385</u>	<u>-</u>	<u>46,385</u>
 Total program services	 <u>6,171,585</u>	 <u>-</u>	 <u>6,171,585</u>
Supporting services:			
Management and general	450,668	-	450,668
Fundraising	<u>283,709</u>	<u>-</u>	<u>283,709</u>
 Total supporting services	 <u>734,377</u>	 <u>-</u>	 <u>734,377</u>
 Total expenses	 <u>6,905,962</u>	 <u>-</u>	 <u>6,905,962</u>
 Changes in net assets	 467,017	 193,976	 660,993
 Net assets, beginning of year	 <u>5,420,492</u>	 <u>450,604</u>	 <u>5,871,096</u>
 Net assets, end of year	 <u>\$ 5,887,509</u>	 <u>\$ 644,580</u>	 <u>\$ 6,532,089</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, 2019**

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
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 of direct expense of \$187,908	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 FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2020**

	PROGRAM SERVICES-89%					SUPPORTING SERVICES-11%		Total
	Social Services	Payee Services	Senior Companion Services	Thrift Shop	Career and Education Center	Management and General	Fundraising	
Personnel Expenses:								
Salaries	\$ 411,598	\$ 307,873	\$ 87,152	\$ 51,166	\$ 29,964	\$ 242,043	\$ 149,857	\$ 1,279,653
Payroll taxes and benefits	103,214	99,686	26,490	12,676	5,261	46,169	30,512	324,008
Total personnel expenses	514,812	407,559	113,642	63,842	35,225	288,212	180,369	1,603,661
Food and other assistance	4,066,162	-	20,633	-	120	-	291	4,087,206
Professional service	28,618	9,183	3,533	2,027	-	56,345	60,705	160,411
Occupancy and telephone	66,251	46,992	14,101	10,268	-	2,785	1,363	141,760
Travel and conferences	15,310	6,228	20,662	2,087	4	3,537	1,377	49,205
Materials and supplies	74,707	34,644	13,306	7,108	2,216	10,211	5,446	147,638
Maintenance and repairs	48,407	7,684	4,057	2,848	-	5,654	-	68,650
Stipends	-	-	225,634	-	-	-	-	225,634
Printing	694	8,834	160	-	-	318	17,124	27,130
Postage	402	7,491	495	-	-	662	4,926	13,976
Equipment lease	9,475	6,460	1,154	989	-	3,212	-	21,290
Depreciation	76,710	1,013	-	6,133	419	35,967	-	120,242
Security	62,155	51,118	7,827	5,582	-	10,393	4,035	141,110
Other expenses	20,178	18,953	5,970	481	401	28,566	7,938	82,487
Meals	722	105	1,794	-	-	4,806	135	7,562
Scholarships	-	-	-	-	8,000	-	-	8,000
Total expenses	<u>\$ 4,984,603</u>	<u>\$ 606,264</u>	<u>\$ 432,968</u>	<u>\$ 101,365</u>	<u>\$ 46,385</u>	<u>\$ 450,668</u>	<u>\$ 283,709</u>	<u>\$ 6,905,962</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, 2019**

	PROGRAM SERVICES-90%					SUPPORTING SERVICES-10%		Total
	Social Services	Payee Services	Senior Companion Services	Thrift Shop	Career and Education Center	Management and General	Fundraising	
Personnel Expenses:								
Salaries	\$ 439,074	\$ 265,081	\$ 86,277	\$ 50,738	\$ 35,716	\$ 256,962	\$ 129,324	\$ 1,263,172
Payroll taxes and benefits	125,204	95,686	22,446	11,962	7,630	59,374	31,034	353,336
Total personnel expenses	564,278	360,767	108,723	62,700	43,346	316,336	160,358	1,616,508
Food and other assistance	4,183,672	-	61,968	-	691	-	-	4,246,331
Professional service	31,575	8,018	6,405	7,140	24	45,980	16,008	115,150
Occupancy and telephone	68,921	40,867	14,029	11,516	-	2,490	1,603	139,426
Travel and conferences	14,388	4,089	25,769	3,028	-	7,643	3,737	58,654
Materials and supplies	75,598	27,925	8,937	6,928	2,700	9,918	5,224	137,230
Maintenance and repairs	66,191	3,479	1,464	10,862	11	139	-	82,146
Stipends	-	-	216,295	-	-	-	-	216,295
Printing	4,300	4,223	130	366	-	239	20,669	29,927
Postage	700	7,086	158	1	-	621	5,001	13,567
Equipment lease	8,100	5,510	1,125	865	-	3,225	6	18,831
Depreciation	66,198	336	-	3,688	-	43,051	-	113,273
Security	65,213	40,013	7,413	5,860	-	8,311	3,217	130,027
Other expenses	32,785	26,475	6,189	889	266	38,697	13,545	118,846
Meals	834	95	3,100	-	-	6,674	-	10,703
Scholarships	-	-	-	-	-	-	-	-
Total expenses	<u>\$ 5,182,753</u>	<u>\$ 528,883</u>	<u>\$ 461,705</u>	<u>\$ 113,843</u>	<u>\$ 47,038</u>	<u>\$ 483,324</u>	<u>\$ 229,368</u>	<u>\$ 7,046,914</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, 2020 AND 2019**

	2020	2019
Cash flows from operating activities:		
Changes in net assets	\$ 660,993	\$ 532,106
Adjustments to reconcile change in net assets to net cash provided in operating activities:		
Depreciation	120,242	113,273
(Gain) Loss on disposal of assets	(28,940)	-
Discontinued construction in progress	-	23,000
Unrealized (gain)/loss on investments	14,472	(4,223)
Donated investments	(16,510)	-
Change in operating assets and liabilities:		
Decrease (increase) in:		
Grants receivable	4,270	(49,193)
Bequests receivable	(219,161)	-
Inventory	43,221	(99,590)
Prepaid expenses	874	(335)
Increase (decrease) in:		
Accounts payable	45,672	(18,185)
Accrued expenses	18,299	(16,282)
Unearned revenue	139,031	(52,961)
	782,463	427,610
Net cash provided by operating activities		
Cash flows from investing activities:		
Proceeds from sale of property and equipment	31,675	-
Purchase of property and equipment	(395,139)	(107,109)
Purchase of marketable securities	(10,137)	(47,521)
	(373,601)	(154,630)
Net cash used in investing activities		
Cash Flows from Financing Activities:		
Proceeds from SBA PPP Loan	305,400	-
	305,400	-
Net cash provided by (used in) financing activities		
Net increase (decrease) in cash	714,262	272,980
Cash, beginning of year	2,814,456	2,541,476
Cash, end of year	\$ 3,528,718	\$ 2,814,456

**CATHOLIC CHARITIES OF THE DIOCESE OF FRESNO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**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**

During the year ended June 30, 2020, the Organization adopted the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2018-08 – Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08). This update clarifies and improves the scope and accounting guidance for contributions received and contributions made. The amendments in this update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The Organization's accounting policies have been updated in the financial statements to reflect the provisions of ASU 2018-08. The adoption of ASU 2018-08 has had no material effect on the change in net assets or net asset balances, by classification, as previously reported.

**CATHOLIC CHARITIES OF THE DIOCESE OF FRESNO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**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, whereby 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 \$3,221,383 and \$2,554,720 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, 2020 and 2019.

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 \$1.74 and \$1.62, respectively, during 2020 and 2019, was based upon a study performed by Feeding America.

**CATHOLIC CHARITIES OF THE DIOCESE OF FRESNO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**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 individual 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, 2020 AND 2019**

**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, 2020 and 2019, the Organization received and recognized \$3,561,813 and \$3,743,258, 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 \$73,123 and \$32,296 in donated services for the years ended June 30, 2020 and 2019, 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
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 \$390 and \$5,036 at June 30, 2020 and 2019, respectively.



**CATHOLIC CHARITIES OF THE DIOCESE OF FRESNO  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**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 taken 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, 2019.

**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:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 3,528,718	\$ 2,814,456
Investments	1,282,695	1,270,520
Grants receivable	141,498	145,768
Bequests receivable	<u>219,161</u>	<u>-</u>
Total financial assets	5,172,072	4,230,744
Less amounts not available to be used within one year:		
Donor-restricted with liquidity horizons greater than one year	<u>504,263</u>	<u>450,604</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 4,667,809</u>	<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.

See Independent Auditor's Report.

**CATHOLIC CHARITIES OF THE DIOCESE OF FRESNO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 5 – INVESTMENTS**

Investments consist of the following at June 30:

	<u>Fair Value</u>	
	<u>2020</u>	<u>2019</u>
Domestic equity funds	\$ 455,896	\$ 487,821
International equity funds	225,754	235,626
Fixed income	588,966	543,684
Emerging market equity funds	<u>12,079</u>	<u>3,389</u>
Total investments	<u>\$ 1,282,695</u>	<u>\$ 1,270,520</u>

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

	<u>2020</u>	<u>2019</u>
Investment earnings	\$ 41,219	\$ 40,332
Unrealized gain/(loss)	(14,472)	48,472
Investment expense	<u>(31,526)</u>	<u>(14,350)</u>
Investment earnings, net	<u>\$ (4,779)</u>	<u>\$ 74,454</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, 2020 AND 2019**

**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, 2020:

Description	Level 1	Level 2	Level 3
Domestic equity funds	\$ 455,896	\$ -	\$ -
International equity funds	225,754	-	-
Fixed income	588,966	-	-
Emerging market equity funds	<u>12,079</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,282,695</u>	<u>\$ -</u>	<u>\$ -</u>

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	\$ 487,821	\$ -	\$ -
International equity funds	235,626	-	-
Fixed income	543,684	-	-
Emerging market equity funds	<u>3,389</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,270,520</u>	<u>\$ -</u>	<u>\$ -</u>

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

Property and equipment consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Land	\$ 532,444	\$ 532,444
Construction in progress	5,350	1,750
Buildings and improvements	2,263,418	2,116,798
Vehicles	291,733	105,219
Equipment, furniture and computers	<u>323,800</u>	<u>374,243</u>
	3,416,745	3,130,454
Accumulated depreciation	<u>(1,587,407)</u>	<u>(1,573,278)</u>
Property and equipment, net	<u>\$ 1,829,338</u>	<u>\$ 1,557,176</u>

Total depreciation expense for the years ended June 30, 2020 and 2019 was \$120,242 and \$113,273, respectively.

**CATHOLIC CHARITIES OF THE DIOCESE OF FRESNO  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**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, 2020 are as follows:

<u>Years Ending</u>	<u>Amount</u>
2021	\$ 19,875
2022	21,202
2023	14,730
2024	7,423
2025	3,391
Thereafter	<u>3,391</u>
Total	<u>\$ 70,012</u>

Total rent expense for the years ended June 30, 2020 and June 30, 2019 was \$20,430 and \$18,728, respectively. In the normal course of business, operating leases are generally renewed or replaced by other leases.

**NOTE 9 – SBA PPP LOAN**

On April 14, 2020, the Organization received a Small Business Administration Paycheck Protection Program (SBA PPP) loan in the amount of \$305,400. Principal and interest at 1.00% are payable monthly beginning after forgiveness is granted. Interest accrues between the date of disbursement and forgiveness on the amount of the loan that is not forgiven.

The SBA PPP is a federal loan program designed to assist entities in sustaining their operations during the COVID-19 pandemic. The loan is forgivable if used for eligible costs, including payroll costs, rent payments and others. Specific criteria must be met under the program guidelines for the loan to be forgiven. The Organization expects the loan to be forgiven based on expenses incurred, but has not yet determined the total amount that may be forgiven or owed, if any, under this program. As such, the entire amount has been recognized as a long-term liability on the Statement of Financial Position for the year ended June 30, 2020.

**NOTE 10 – NET ASSETS**

The detail of the Organization's net asset categories is as follows at June 30:

	<u>2020</u>	<u>2019</u>
With donor restrictions:		
Purpose restricted	\$ 425,419	\$ 450,604
Time restricted only	<u>219,161</u>	<u>-</u>
Total net assets with donor restrictions	<u>644,580</u>	<u>450,604</u>
Without donor restrictions:		
Undesignated	<u>5,887,509</u>	<u>5,420,492</u>
Total net assets without donor restrictions	<u>5,887,509</u>	<u>5,420,492</u>
Total net assets	<u>\$ 6,532,089</u>	<u>\$ 5,871,096</u>

**CATHOLIC CHARITIES OF THE DIOCESE OF FRESNO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS**

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

	<u>2020</u>	<u>2019</u>
Pusateri - Bakersfield	\$ 329,968	\$ 333,202
HOH Fundraiser - Career and Ed Center - Bakersfield	-	12,096
HOH Fundraiser - Career and Ed Center - Fresno	11,936	22,850
Central Valley Community Foundation	-	6
Bank of America Charitable Foundation	31,016	15,471
Donor Advised Grant	50,000	50,000
Wells Fargo Foundation	2,500	2,500
Sunlight Giving Grant	-	14,479
Paul E McHorney and Velda M McHorney Family Trust	169,160	-
Estate of Kim Renfro Cooper	50,000	-
Total net assets with donor restrictions	<u>\$ 644,580</u>	<u>\$ 450,604</u>

**NOTE 12 – FOOD AND OTHER ASSISTANCE**

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

	<u>2020</u>	<u>2019</u>
Food	\$ 3,950,806	\$ 4,006,365
Lodging and rent	82,683	137,209
Utilities	32,670	63,843
Transportation	488	1,365
Miscellaneous (gas, vouchers, ID cards, prescriptions)	20,559	36,896
	<u>\$ 4,087,206</u>	<u>\$ 4,245,678</u>

**NOTE 13 – 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, 2020 and 2019, were amounts paid to the Diocese of Fresno of \$286,650 and \$323,414, respectively, for workers compensation, general liability and property insurance, auto insurance, and health benefits.

Spencer Enterprises, Inc., which is owned by a member of the Board, provided construction services to the Organization for the remodel of a warehouse. The amounts paid to Spencer Enterprises, Inc., for the year ended June 30, 2020, was \$146,619.

**CATHOLIC CHARITIES OF THE DIOCESE OF FRESNO  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 14 – COMMITMENTS**

On January 8, 2020, the Organization entered into an agreement for the design, engineering, installation, and construction of an electrical grid-connected solar photovoltaic system (“solar project”) designed to produce or generate solar energy. The cost of the solar project is expected to be approximately \$343,000. The solar project has not commenced construction as of the date the financial statements were available to be issued.

**NOTE 15 – UNCERTAINTY**

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic, and on March 13, 2020, the President of the United States declared the COVID-19 outbreak in the United States of America a national emergency. In response, the State of California has issued Stay at Home Orders since in efforts to slow the spread of COVID-19. The orders require certain individuals living in California to stay at home, except as allowed, to maintain continuity of the federal critical infrastructure sectors. Accordingly, some of the Organization’s operations have been limited to protect the health and safety of its employees. The financial impact that could occur as a result of the pandemic is unknown at this time.

**NOTE 16 – SUBSEQUENT EVENTS**

Management has evaluated and concluded that there are no subsequent events that have occurred from June 30, 2020 through the date the financial statements were available to be issued at March 10, 2021 that would require additional disclosure or adjustment.

## SUPPLEMENTARY INFORMATION

**CATHOLIC CHARITIES OF THE DIOCESE OF FRESNO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020**

<u>Federal Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Corporation for National and Community Service:		
Foster Grandparents/Senior Companion Cluster:		
Senior Companion Program	94.016	* \$ 383,414
Total Corporation for National and Community Service		<u>383,414</u>
Department of Homeland Security:		
Emergency Food and Shelter National Board Program	97.024	<u>320,175</u>
Total Department of Homeland Security		<u>320,175</u>
United States Department of Agriculture:		
SNAP Cluster:		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	<u>180,349</u>
Total United States Department of Agriculture		<u>180,349</u>
Total Expenditures of Federal Awards		<u><u>\$ 883,938</u></u>

*\*Denotes a major program per Uniform Guidance.*



**CATHOLIC CHARITIES OF DIOCESE OF FRESNO  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020**

**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 the 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 2 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), a nonprofit organization, which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 10, 2021.

**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) as a basis for designing 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 financial statements. 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  
March 10, 2021



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 the Diocese of Fresno's (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, 2020. 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 the 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, 2020.

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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  
March 10, 2021



## FINDINGS AND QUESTIONED COSTS

**CATHOLIC CHARITIES OF THE DIOCESE OF FRESNO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**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	___X___ No
Significant deficiencies identified - not considered to be material weaknesses?	_____ Yes	___X___ None reported
Noncompliance material to financial statements noted?	_____ Yes	___X___ No

**Federal Awards**

Internal control over major programs:		
Material weaknesses identified?	_____ Yes	___X___ No
Significant deficiencies identified - not considered to be material weaknesses?	_____ Yes	___X___ 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	___X___ 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?	_____ Yes      ___X___ No

**CATHOLIC CHARITIES OF THE DIOCESE OF FRESNO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

None reported.

**SECTION III – FEDERAL AWARD FINDINGS**

None reported.

**CATHOLIC CHARITIES OF THE DIOCESE OF FRESNO  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2020**

**FINANCIAL STATEMENT FINDINGS**

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

- Condition:** 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.
- Criteria:** 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).
- Cause:** Internal controls over the year-end financial reporting process were not properly designed and were not placed in operation.
- Effect:** As a result of this condition, cash, investment, fixed assets, and deferred revenue account balances were initially misstated.
- Recommendation:** 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.
- Status:** Implemented.

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

- Condition:** The Organization's management did not perform review of bank reconciliations prepared for the Representative Payee bank accounts.
- Criteria:** 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.
- Cause:** 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.
- Effect:** As a result of this condition payee cash accounts were initially misstated.
- Recommendation:** The Organization should ensure internal control procedures over payee bank accounts are properly designed and implemented.
- Status:** Implemented.

**FEDERAL AWARD FINDINGS**

None reported.