

**CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC.
AND SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS

**AND CERTAIN SUPPLEMENTAL INFORMATION
PRESENTED FOR PURPOSES OF A SINGLE AUDIT**

JUNE 30, 2020 AND 2019

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Catholic Charities of the Diocese of Pueblo, Inc. and Subsidiary
Pueblo, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of Catholic Charities of the Diocese of Pueblo, Inc. and Subsidiary (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 misstatements, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Catholic Charities of the Diocese of Pueblo, Inc. and Subsidiary as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating statements of financial position, the consolidating statements of activities and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) 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 audits 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 December 10, 2020, on our consideration of Catholic Charities of the Diocese of Pueblo, Inc. and Subsidiary'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 the effectiveness of Catholic Charities of the Diocese of Pueblo, Inc. and Subsidiary's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Catholic Charities of the Diocese of Pueblo, Inc. and Subsidiary's internal control over financial reporting and compliance.

McPherson, Goodrich, Puelmo & Mitchell, PC

December 10, 2020

CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 708,125	\$ 380,867
Restricted cash	436,666	204,172
Investments	558,153	561,168
Accounts receivable, net of allowance for doubtful accounts	5,512	185,171
Grant and contract receivables	1,175,733	1,074,360
Prepaid expenses	3,550	-
Property and equipment, net of accumulated depreciation	<u>65,988</u>	<u>79,715</u>
TOTAL ASSETS	<u>\$ 2,953,727</u>	<u>\$ 2,485,453</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	183,274	252,962
Accrued expenses	271,646	318,002
Deferred revenue	126,076	702,458
Client deposits	436,666	204,172
Accrued compensated absences	99,077	104,478
Notes payable	<u>260,000</u>	<u>-</u>
TOTAL LIABILITIES	<u>1,376,739</u>	<u>1,582,072</u>
NET ASSETS		
Without Donor Restrictions		
Undesignated	765,386	185,119
Board designated	<u>650,000</u>	<u>650,000</u>
Total without donor restrictions	1,415,386	835,119
With Donor Restrictions		
Purpose restrictions	<u>161,602</u>	<u>68,262</u>
Total with donor restrictions	<u>161,602</u>	<u>68,262</u>
TOTAL NET ASSETS	<u>1,576,988</u>	<u>903,381</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,953,727</u>	<u>\$ 2,485,453</u>

The accompanying notes are an integral part of these statements.

CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020 AND 2019

		2020		
		Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES				
Support				
United Way allocations		\$ 114,099	\$ -	\$ 114,099
Diocesan Ministry Fund support		95,941	-	95,941
Pueblo Deanery support		-	10,258	10,258
Contributions		277,224	183,165	460,389
Assistance programs		104,496	96,487	200,983
In-Kind rent		81,280	-	81,280
	Total Support	<u>673,040</u>	<u>289,910</u>	<u>962,950</u>
Revenues				
Grant revenue		5,338,662	17,875	5,356,537
Money management fees		91,738	-	91,738
Immigration service fees		77,896	-	77,896
Other fees		10,661	-	10,661
Special event		1,675	-	1,675
Miscellaneous revenues		672	-	672
Reimbursed expenses		11,244	-	11,244
Net investment return		1,986	-	1,986
	Total Revenues	<u>5,534,534</u>	<u>17,875</u>	<u>5,552,409</u>
Net Assets Released from Restrictions		<u>214,445</u>	<u>(214,445)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUES		<u>6,422,019</u>	<u>93,340</u>	<u>6,515,359</u>
EXPENSES				
Functional Expenses				
Program services		4,652,138	-	4,652,138
Management and general		1,169,145	-	1,169,145
Fundraising expense		20,469	-	20,469
	TOTAL EXPENSES	<u>5,841,752</u>	<u>-</u>	<u>5,841,752</u>
CHANGE IN NET ASSETS		580,267	93,340	673,607
NET ASSETS, beginning		<u>835,119</u>	<u>68,262</u>	<u>903,381</u>
NET ASSETS, ending		<u>\$ 1,415,386</u>	<u>\$ 161,602</u>	<u>\$ 1,576,988</u>

The accompanying notes are an integral part of these statements.

		2019		
		Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES				
Support				
United Way allocations		\$ 73,477	\$ -	\$ 73,477
Diocesan Ministry Fund support		100,000	-	100,000
Pueblo Deanery support		-	11,955	11,955
Contributions		371,591	50,147	421,738
Assistance programs		-	113,560	113,560
In-Kind rent		81,280	-	81,280
	Total Support	<u>626,348</u>	<u>175,662</u>	<u>802,010</u>
Revenues				
Grant revenue		4,589,132	59,234	4,648,366
Money management fees		90,284	-	90,284
Immigration service fees		89,502	-	89,502
Other fees		9,444	-	9,444
Special event		110,895	-	110,895
Miscellaneous revenues		4,979	-	4,979
Reimbursed expenses		13,113	-	13,113
Net investment return		67,069	-	67,069
	Total Revenues	<u>4,974,418</u>	<u>59,234</u>	<u>5,033,652</u>
Net Assets Released from Restrictions		<u>216,519</u>	<u>(216,519)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUES		<u>5,817,285</u>	<u>18,377</u>	<u>5,835,662</u>
EXPENSES				
Functional Expenses				
Program services		4,493,624	-	4,493,624
Management and general		1,396,019	-	1,396,019
Fundraising expense		30,817	-	30,817
	TOTAL EXPENSES	<u>5,920,460</u>	<u>-</u>	<u>5,920,460</u>
CHANGE IN NET ASSETS		<u>(103,175)</u>	<u>18,377</u>	<u>(84,798)</u>
NET ASSETS, beginning		<u>938,294</u>	<u>49,885</u>	<u>988,179</u>
NET ASSETS, ending		<u>\$ 835,119</u>	<u>\$ 68,262</u>	<u>\$ 903,381</u>

CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	<u>2020</u>		
	<u>Early Childhood Programs</u>	<u>Adult Programs</u>	<u>Home Stability</u>
FUNCTIONAL EXPENSES			
Salaries and Related Expenses			
Salaries	\$ 1,616,435	\$ 1,033,202	\$ 24,306
Employee benefits	320,042	147,217	6,124
Payroll taxes	<u>133,415</u>	<u>88,575</u>	<u>1,929</u>
Total Salaries and Related Expenses	<u>2,069,892</u>	<u>1,268,994</u>	<u>32,359</u>
Other Expenses			
Dues and fees	35,014	2,600	-
Fundraising			
Insurance	737	1,289	-
Meals	3,861	139	-
Miscellaneous	394	677	-
Occupancy	71,360	4,448	4,733
Office supplies	7,743	14,073	557
Postage and shipping	22	267	-
Printing and publications	6,497	5,947	-
Professional development	24,252	9,372	-
Professional services	402,507	69,373	638
Program expenses	94,546	76,830	-
Repairs and equipment maintenance	2,194	565	-
Rent - equipment	8,480	696	-
Telephone	31,887	4,769	-
Travel	83,023	33,590	-
Assistance to individuals	<u>-</u>	<u>-</u>	<u>277,813</u>
Total Other Expenses	<u>772,517</u>	<u>224,635</u>	<u>283,741</u>
Total Expenses Before Depreciation	<u>2,842,409</u>	<u>1,493,629</u>	<u>316,100</u>
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 2,842,409</u>	<u>\$ 1,493,629</u>	<u>\$ 316,100</u>

The accompanying notes to financial statements are an integral part of this statement.

2020

	<u>Total Programs Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>
FUNCTIONAL EXPENSES				
Salaries and Related Expenses				
Salaries	\$ 2,673,943	\$ 590,611	\$ -	\$ 3,264,554
Employee benefits	473,383	140,874	-	614,257
Payroll taxes	223,919	45,758	-	269,677
Total Salaries and Related Expenses	<u>3,371,245</u>	<u>777,243</u>	<u>-</u>	<u>4,148,488</u>
Other Expenses				
Dues and fees	37,614	44,564	-	82,178
Fundraising	-	-	20,469	-
Insurance	2,026	24,738	-	26,764
Meals	4,000	4,960	-	8,960
Miscellaneous	1,071	11,757	-	12,828
Occupancy	80,541	69,295	-	149,836
Office supplies	22,373	15,844	-	38,217
Postage and shipping	289	15,389	-	15,678
Printing and publications	12,444	23,289	-	35,733
Professional development	33,624	11,896	-	45,520
Professional services	472,518	12,513	-	485,031
Program expenses	171,376	105,127	-	276,503
Repairs and equipment maintenance	2,759	1,479	-	4,238
Rent - equipment	9,176	13,652	-	22,828
Telephone	36,656	9,682	-	46,338
Travel	116,613	9,932	-	126,545
Assistance to individuals	277,813	-	-	277,813
Total Other Expenses	<u>1,280,893</u>	<u>374,117</u>	<u>20,469</u>	<u>1,655,010</u>
Total Expenses Before Depreciation	<u>4,652,138</u>	<u>1,151,360</u>	<u>20,469</u>	<u>5,803,498</u>
Depreciation	<u>-</u>	<u>17,785</u>	<u>-</u>	<u>17,785</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 4,652,138</u>	<u>\$ 1,169,145</u>	<u>\$ 20,469</u>	<u>\$ 5,821,283</u>

CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	2019		
	<u>Early Childhood Programs</u>	<u>Adult Programs</u>	<u>Home Stability</u>
FUNCTIONAL EXPENSES			
Salaries and Related Expenses			
Salaries	\$ 1,635,741	\$ 699,288	\$ 25,385
Employee benefits	333,963	103,122	6,675
Payroll taxes	136,820	58,499	2,096
Total Salaries and Related Expenses	<u>2,106,524</u>	<u>860,909</u>	<u>34,156</u>
Other Expenses			
Dues and fees	31,878	1,620	(7)
Fundraising	-	-	-
Insurance	4,232	2,239	-
Meals	285	340	-
Miscellaneous	844	11,124	-
Occupancy	81,641	11,303	2,438
Office supplies	11,391	13,658	-
Postage and shipping	5,409	3,048	-
Printing and publications	21,173	8,536	-
Professional development	46,327	15,297	-
Professional services	569,872	53,148	2,282
Program expenses	128,298	15,676	-
Repairs and equipment maintenance	2,574	249	-
Rent - equipment	7,134	4,014	-
Telephone	35,851	5,435	-
Travel	130,349	32,614	-
Assistance to individuals	-	-	231,763
Total Other Expenses	<u>1,077,258</u>	<u>178,301</u>	<u>236,476</u>
Total Expenses Before Depreciation	<u>3,183,782</u>	<u>1,039,210</u>	<u>270,632</u>
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 3,183,782</u>	<u>\$ 1,039,210</u>	<u>\$ 270,632</u>

The accompanying notes to financial statements are an integral part of this statement.

2019

	<u>Total Programs Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>
FUNCTIONAL EXPENSES				
Salaries and Related Expenses				
Salaries	\$ 2,360,414	\$ 729,444	\$ -	\$ 3,089,858
Employee benefits	443,760	149,406	-	593,166
Payroll taxes	197,415	59,138	-	256,553
Total Salaries and Related Expenses	<u>3,001,589</u>	<u>937,988</u>	<u>-</u>	<u>3,939,577</u>
Other Expenses				
Dues and fees	33,491	49,351	-	82,842
Fundraising	-	-	30,817	-
Insurance	6,471	21,218	-	27,689
Meals	625	9,952	-	10,577
Miscellaneous	11,968	7,608	-	19,576
Occupancy	95,382	54,747	-	150,129
Office supplies	25,049	23,063	-	48,112
Postage and shipping	8,457	6,824	-	15,281
Printing and publications	29,709	26,992	-	56,701
Professional development	61,624	9,448	-	71,072
Professional services	625,302	70,271	-	695,573
Program expenses	143,974	97,658	-	241,632
Repairs and equipment maintenance	2,823	5,322	-	8,145
Rent - equipment	11,148	3,591	-	14,739
Telephone	41,286	17,581	-	58,867
Travel	162,963	35,369	-	198,332
Assistance to individuals	231,763	-	-	231,763
Total Other Expenses	<u>1,492,035</u>	<u>438,995</u>	<u>30,817</u>	<u>1,931,030</u>
Total Expenses Before Depreciation	<u>4,493,624</u>	<u>1,376,983</u>	<u>30,817</u>	<u>5,870,607</u>
Depreciation	<u>-</u>	<u>19,036</u>	<u>-</u>	<u>19,036</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 4,493,624</u>	<u>\$ 1,396,019</u>	<u>\$ 30,817</u>	<u>\$ 5,889,643</u>

**CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 673,607	\$ (84,798)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	17,785	19,036
Realized and unrealized (gain) loss on investments	16,651	(24,416)
(Increase) decrease in assets:		
Accounts receivable	179,659	(173,078)
Grant and contract receivable	(101,373)	(137,574)
Prepaid expenses	(3,550)	-
Increase (decrease) in liabilities:		
Accounts payable	(69,688)	90,930
Accrued payroll taxes and withholding	(46,356)	305,322
Deferred revenue	(576,382)	(138,256)
Client deposits	232,494	(320,448)
Accrued compensated absences	(5,401)	19,744
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>317,446</u>	<u>(443,538)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(4,058)	(14,713)
Sale of investments	605,001	(42,593)
Purchase of investments	(618,637)	189,491
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(17,694)</u>	<u>132,185</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	260,000	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>260,000</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH EQUIVALENTS AND RESTRICTED CASH	559,752	(311,353)
CASH AND CASH EQUIVALENTS & RESTRICTED CASH, beginning	<u>585,039</u>	<u>896,392</u>
CASH AND CASH EQUIVALENTS & RESTRICTED CASH, ending	<u>\$ 1,144,791</u>	<u>\$ 585,039</u>
 CASH AND CASH EQUIVALENTS	 \$ 708,125	 \$ 380,867
RESTRICTED CASH	<u>436,666</u>	<u>204,172</u>
TOTAL CASH AND CASH EQUIVALENTS AND RESTRICTED CASH SHOWN IN THE STATEMENT OF CASH FLOWS	<u><u>\$ 1,144,791</u></u>	<u><u>\$ 585,039</u></u>

The accompanying notes are an integral part of these statements.

CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - Catholic Charities of the Diocese of Pueblo, Inc. (CCDP) was incorporated April 6, 1994. The mission of CCDP is to enhance the dignity and self-worth of individuals and families through the provision of services that respond to the physical, spiritual, emotional and economical needs of those served and to collaborate with the communities of Southern Colorado to solve social problems and to work to bring about systemic change so that justice is attained. CCDP is organized exclusively for charitable and educational purposes. Catholic Charities of the Diocese of Pueblo Works Corp., a wholly owned subsidiary of CCDP, provides services through grant funding that compliments CCDP. The subsidiary began providing services in January 2014.

Principles of Consolidation - The consolidated financial statements include Catholic Charities of the Diocese of Pueblo Works Corp., a wholly owned subsidiary of CCDP, that was formed January 2014. All significant intercompany transactions are eliminated.

Basis of Accounting - The consolidated financial statements of CCDP have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables and other assets along with payables and other liabilities.

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 the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates, and those differences could be material.

Cash and Cash Equivalents - We consider all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Receivables and Credit Policies - Accounts receivable consist primarily of noninterest-bearing amounts due for program services. We determine the allowance for uncollectible accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectible. At June 30, 2020 and 2019 all amounts were deemed collectible.

Functional Allocation of Expenses - The CCDP's policy is to allocate natural costs to their specific function based on the program it supports. Costs are charged to the program, general and administrative or fundraising based on what area of the organization the cost supported. Expenses that can be identified with a specific program are directly charged to that program, with all other expenses common to several programs are allocated based on management's budgetary estimates.

Property and Equipment - We record property and equipment additions over \$1,500 or if donated at estimated fair market value on the date of donation. Units with a useful life over 1 year or more are capitalized and depreciated using the straight-line method over the estimated useful lives of the assets ranging from 3 to 39 years. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Revenue and Revenue Recognition – Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are received, respectively. Contributions are recognized when cash, securities, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Contributed Services and Other In-Kind Contributions – Contributed services are recorded if they (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by CCDP. A number of volunteers have contributed significant amounts of their time in the CCDP's program services and its fundraising campaigns, but are not recognized as contributions in the financial statements because they do not meet the aforementioned criteria. The Diocese contributed the use of the office space. The donated facilities are recorded at the fair rental value of commercial property. For the year ended June 30, 2020, the contributed fair rental value of the facilities was \$81,280.

Investments - We record investment purchases at cost, or if donated, at fair value on the date of the donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consisted of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from assets without donor restrictions, net assets for subsequent year's expenses.

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

Employee Benefits - CCDP offers a tax shelter annuity plan to employees. Plan benefits are available to employees who work 20 hours or more per week and who have worked a full six months. CCDP matches contributions at 3% of the employee's gross salary up to \$100 per month. CCDP's contributions for the years ended June 30, 2020 and 2019 were \$43,068 and \$46,538, respectively.

Client Deposits - CCDP provides cash management and immigration services to clients. Cash management services include collection of client funds and payment of client expenses and debts. Immigration services include collection of client funds and payment of attorney fees on behalf of the client. At June 30, 2020 and 2019, CCDP was holding \$436,666 and \$204,172, respectively, of client funds.

CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Conservatorship - CCDP sometimes agrees to serve as a court-appointed conservator. Any fees earned are recognized as income when received. CCDP has certain fiduciary responsibilities in this capacity but the conservatorship's assets are not in the possession of or controlled by CCDP.

The conservatorship's assets are held in separate accounts at various financial institutions. CCDP serves a number of clients whose total assets at June 30, 2020 and 2019 totaled \$230,420 and \$157,082, respectively. Fees earned for conservator responsibilities for the years ended June 30, 2020 and 2019 totaled \$85,463 and \$87,346, respectively, which is recorded as money management revenue.

Reclassifications - Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation. These reclassifications had no effect on the increase in net assets for 2020.

Income Taxes - The CCDP is organized as a Colorado nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3), qualifies for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be a private foundation under IRC Sections 509(a)(a) and (3), respectively. The CCDP is annually required to file a Return of Organization Exempt from Income Taxes (Form 990) with the IRS. The CCDP believes that it has appropriate support for any tax position taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Change in Accounting Principle - During fiscal year 2020, CCDP adopted the provisions of FASB Accounting Standards Updated 2018-08, Not-For-Profit Entities (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This update clarifies and improves the scope and accounting guidance for contributions received and contributions made and will assist in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchanges (reciprocal) transactions and (2) determining whether a contribution is conditional. The implementation of the ASU had no effect on the financial statements.

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue Contracts with Customers (Topic 606)*, which replaces numerous requirements in U.S. GAAP, including industry-specific requirements, and provides companies with single revenue recognition model for recognizing revenue from contracts with customers. The core principle of the new standard is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. During the year ended June 30, 2020, management implemented ASU 2014-09. The implementation of the ASU had no effect on the financial statements.

Evaluation of Subsequent Events - We have evaluated subsequent events through the date of the independent auditors' report, the date that the financial statements are available to be issued, and have considered any relevant matters in the preparation of the financial statements and footnotes.

CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 2 – LIQUIDITY AND AVAILABILITY

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

Cash and cash equivalents	\$ 1,144,791
Accounts receivable	1,181,245
Investments	<u>558,153</u>
Total financial assets	2,884,189
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Restricted cash	(436,666)
Board designated	(650,000)
Net assets with donor restrictions	<u>(161,602)</u>
Financial assets and liquidity resources available within one year	<u>\$ 1,635,921</u>

CCDP is substantially supported by charitable contributions in addition to fees earned from the various programs. As those charged with management of those accounts request expenses to be made, assets with donor restrictions can be liquidated to cover those expenses.

NOTE 3 – INVESTMENTS

Investments are presented in the financial statements at their market value. The investments consisted of the following at June 30:

	<u>2020</u>		
	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>	<u>Estimated Market Value</u>
Equity mutual funds	<u>\$ 441,215</u>	<u>\$ 116,938</u>	<u>\$ 558,153</u>
	<u>2019</u>		
Equity mutual funds	<u>\$ 283,385</u>	<u>\$ 277,783</u>	<u>\$ 561,168</u>

CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 3 – INVESTMENTS (Cont'd)

The following schedule summarizes the investment income reported in the statement of activities:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 18,637	\$ -	\$ 18,637
Net realized/unrealized gains (losses)	(16,651)	-	(16,651)
Net investment return	<u>\$ 1,986</u>	<u>\$ -</u>	<u>\$ 1,986</u>

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 42,653	\$ -	\$ 42,653
Net realized/unrealized gains (losses)	24,416	-	24,416
Net investment return	<u>\$ 67,069</u>	<u>\$ -</u>	<u>\$ 67,069</u>

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment at June 30 consisted of the following:

	<u>2020</u>	<u>2019</u>
Leasehold improvements	\$ 126,435	\$ 126,435
Office furniture and equipment	242,066	242,066
Vehicle	<u>18,256</u>	<u>14,198</u>
Total Property and Equipment	386,757	382,699
Less: accumulated depreciation	<u>320,769</u>	<u>302,984</u>
Net Property and Equipment	<u>\$ 65,988</u>	<u>\$ 79,715</u>

Depreciation expense for the years ended June 30, 2020 and 2019 was \$17,785 and \$19,036, respectively.

NOTE 5 – VACATION BENEFITS

CCDP and its subsidiary provide vacation leave benefits to eligible employees. Vacation benefits are earned by employees based upon their years of service and range from ten to twenty days. Part-time employees earned hours will vary based on hours worked. The maximum number of hours that can be accumulated is 160. Upon separation from service, employees are paid for unused vacation leave. CCDP and its subsidiary provide sick leave benefits to all eligible employees. Full-time employees earn 8 hours and part-time employees vary depending on hours worked for each month of employment completed. The maximum number of hours that can be accumulated is 200. Accumulated sick leave benefits are not paid upon separation.

Accrued compensated absences at June 30, 2020 and 2019 were \$99,077 and \$104,478, respectively.

CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 6 – NOTES PAYABLE

Long-term term debt consists of the following:

	<u>2020</u>	<u>2019</u>
Note payable to Pueblo Bank & Trust (Paycheck Protection Program Loan). PPP Loan established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES ACT), the PPP Loan provides for loans to qualifying business in the amount of 2.5 times the business's average monthly payroll expenses. Interest at 1.00%, on amounts not forgiven, due in \$14,632 monthly installments over 2 years. CCDP has up to 10 months to apply for forgiveness which, CCDP expects to receive 100% forgiveness of this loan.	\$ 260,000	\$ -
	<u>\$ 260,000</u>	<u>\$ -</u>

Estimated debt service requirements are as follows:

Year Ended June 30	
2021	\$ 114,470
2022	<u>145,530</u>
Total	<u>\$ 260,000</u>

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of unexpended funds from the following sources at June 30:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose or time:		
Energy outreach	\$ 8,125	\$ -
Cares	8,280	531
City/County community service	10,814	6,196
Colorado Community Response Program	883	883
Colorado Opportunity Scholarship Initiative	345	345
Community Problem Solving	800	500
Disaster Relief Donations	36,849	4,008
DSS / HB 1451	6,954	4,320
DSS-Assistance	31,976	23,226
ECE funds	200	-
Emergency Food and Shelter Program	21,166	-
Pueblo Deanery Assistance	25,265	15,741
Special assistance	3,337	5,941
Various foundations – supplies and operating expenses	6,608	6,571
Total With Donor Restrictions	<u>\$ 161,602</u>	<u>\$ 68,262</u>

CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS (Cont'd)

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors as follows for the year ended June 30:

	<u>2020</u>	<u>2019</u>
Aid to the Needy	\$ -	\$ 1,495
Cares	118,012	123,975
City/County community service	1,955	2,824
Colorado Community Response Program	-	14,031
Community Problem Solving	3,700	4,222
Disaster Relief Donations	68,659	3,552
DSS / HB 1451	-	37,469
DSS / Assistance	-	5,012
ECE funds	-	2,775
Emergency Food and Shelter Program	8,424	7,938
Pueblo Deanery Assistance	1,022	2,777
Special assistance	2,711	7,703
Various foundations – supplies and operating expenses	9,962	2,746
Total Restrictions Released	<u>\$ 214,445</u>	<u>\$ 216,519</u>

NOTE 8 – BOARD DESIGNATED NET ASSETS

Net assets with donor restrictions included funds which have been designated by the governing board for specific purposes. The following board designations existed as of June 30:

	<u>2020</u>	<u>2019</u>
Operating reserve	\$ <u>650,000</u>	\$ <u>650,000</u>

NOTE 9 – CONCENTRATION OF REVENUE

As reported in the accompanying financial statements, approximately 21 % of CCDP's revenue is derived from federal government agencies, 31 % from state governments for the year ending June 30, 2020.

NOTE 10 – OPERATING LEASE COMMITMENTS

On July 10, 2017, CCDP entered into a lease with Great America Financial Services for Canon copiers. The lease term is sixty months starting July 10, 2017 and requires monthly lease payments of \$705. The amount of the lease expense reported was \$8,460 and \$14,738 for the years ended June 30, 2020 and 2019.

A new office lease was entered into June 15, 2018. This lease replaced the prior lease that ended June 30, 2018 under the same terms as the new lease. The lease is for twenty-four months for \$1 for the full term of the lease. As part of the agreement, CCDP agreed to provide janitorial, trash removal and general building maintenance. The expenses reported for those items were reported in various categories and was \$10,855 and \$17,497 for the years ended June 30, 2020 and 2019, respectively.

CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 10 – OPERATING LEASE COMMITMENTS (cont'd)

CCDP entered into a lease with LDC Properties for office space at 614-618 N. Main Street. The lease terms were originally 12 months beginning September 2015 and April 2016 and required monthly lease payments of \$1,250. The lease has been renewed for three years with the same provisions as the original leases. The lease ends September 2020. The amount of the lease expense reported was \$23,040 and \$23,040 for the years ended June 30, 2020 and 2019 and reported in occupancy expense.

Future minimum lease payments are as follows as of June 30, 2020:

2021	\$ 12,210
2022	8,460
2023	<u>705</u>
	<u>\$ 21,375</u>

NOTE 11 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value Measurements – The Organization reports certain assets at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal; or most advantageous, market at the measurement date under the current market conditions regardless of whether the price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumption that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

- | | |
|---------|---|
| Level 1 | Quoted prices (unadjusted) in active markets for identical assets that we can access at the measurement date. |
| Level 2 | Inputs other than quoted market prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs. |
| Level 3 | Unobservable inputs for the asset. In these situations, we develop inputs using the best information available in the circumstances. |

In some cases, the inputs used to measure the fair value of the asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgement, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset.

CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 11 – FAIR VALUE MEASUREMENTS (Cont'd)

All of our investment assets are classified within Level 1 because they comprise open-end mutual funds with readily determinable fair values based on daily redemption values.

Fair values of assets measured on a recurring basis at June 30, 2020 and June 30, 2019 are as follows:

	Quoted Prices in Active Markets For Identical Assets <u>Level 1</u>	Significant Other Observable Inputs <u>Level 2</u>	Significant Unobservable Inputs <u>Level 3</u>
June 30, 2020			
Money market funds	\$ 200,866	\$ -	\$ -
Domestic stock funds	<u>357,287</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 558,153</u>	<u>\$ -</u>	<u>\$ -</u>

	Quoted Prices in Active Markets For Identical Assets <u>Level 1</u>	Significant Other Observable Inputs <u>Level 2</u>	Significant Unobservable Inputs <u>Level 3</u>
June 30, 2019			
Money market funds	\$ 849	\$ -	\$ -
Domestic stock funds	<u>560,319</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 561,168</u>	<u>\$ -</u>	<u>\$ -</u>

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 12 – COMMITMENTS, CONTIGENCIES & RISKS AND UNCERTAINTIES

Concentration of Credit Risk - CCDP's bank balances are insured by the Federal Deposit Insurance Corporation (FDIC) for \$250,000 per institution. Investment balances are covered by the Securities Investor Protection Corporation (SIPC) up to a limit of \$500,000. In addition, Stifel Nicolaus has obtained increased coverage in amounts totaling \$150 million per account, which includes \$1 million coverage for cash. Cash in excess of the FDIC limit equaled \$954,825 at June 30, 2020. CCDP's investment balances did not exceed SIPC insurance limits as of June 30, 2020.

Coronavirus Disease (COVID-19) Outbreak – COVID-19 made its way to the United States of America. This disease has sickened many and is causing deaths. Various actions by the federal, state and local governments have been implemented to try to slow down or stop the spread of the virus. The extent to which the coronavirus (or any other disease or epidemic) may impact business activity will depend on future developments. These future developments are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus or treat its impact, among others.

CCDP has allowed staff to work from home and has also received \$260,000 from the Paycheck Protection Program Loan to assist with the impact of COVID-19 related issues (See Note 6).

CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

	Catholic Charities <u>Inc.</u>	Catholic Charities <u>Works Corp</u>	Inter Company <u>Eliminations</u>	<u>Totals</u>
ASSETS				
Cash and cash equivalents	\$ 658,301	\$ 49,824	\$ -	\$ 708,125
Restricted cash	436,666	-	-	436,666
Investments	558,153	-	-	558,153
Accounts receivable, net of allowance for doubtful accounts	(1,026)	6,593	(55)	5,512
Grant and contract receivables	1,057,412	118,321	-	1,175,733
Prepaid expenses	-	3,550	-	3,550
Property and equipment, net of accumulated depreciation	65,988	-	-	65,988
Investment in subsidiary	<u>113,628</u>	<u>-</u>	<u>(113,628)</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 2,889,122</u>	<u>\$ 178,288</u>	<u>\$ (113,683)</u>	<u>\$ 2,953,727</u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	\$ 163,927	\$ 19,402	\$ (55)	\$ 183,274
Accrued expenses	233,858	37,788	-	271,646
Deferred revenue	126,076	-	-	126,076
Client deposits	436,666	-	-	436,666
Accrued compensated absences	91,607	7,470	-	99,077
Notes payable	<u>260,000</u>	<u>-</u>	<u>-</u>	<u>260,000</u>
TOTAL LIABILITIES	<u>1,312,134</u>	<u>64,660</u>	<u>(55)</u>	<u>1,376,739</u>
NET ASSETS				
Without Donor Restrictions				
Undesignated	765,386	113,628	(113,628)	765,386
Board designated	<u>650,000</u>	<u>-</u>	<u>-</u>	<u>650,000</u>
Total without donor restrictions	1,415,386	113,628	(113,628)	1,415,386
With Donor Restrictions				-
Purpose restrictions	<u>161,602</u>	<u>-</u>	<u>-</u>	<u>161,602</u>
Total with donor restrictions	<u>161,602</u>	<u>-</u>	<u>-</u>	<u>161,602</u>
TOTAL NET ASSETS	<u>1,576,988</u>	<u>113,628</u>	<u>(113,628)</u>	<u>1,576,988</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,889,122</u>	<u>\$ 178,288</u>	<u>\$ (113,683)</u>	<u>\$ 2,953,727</u>

CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

	Catholic Charities <u>Inc.</u>	Catholic Charities <u>Works Corp</u>	Inter Company <u>Eliminations</u>	<u>Totals</u>
ASSETS				
Cash and cash equivalents	\$ 333,536	\$ 47,331	\$ -	\$ 380,867
Restricted cash	204,172	-	-	204,172
Investments	561,168	-	-	561,168
Accounts receivable, net of allowance for doubtful accounts	101,051	183,250	(99,130)	185,171
Grant and contract receivables	1,074,360	-	-	1,074,360
Property and equipment, net of accumulated depreciation	79,715	-	-	79,715
Investment in subsidiary	<u>79,306</u>	<u>-</u>	<u>(79,306)</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 2,433,308</u>	<u>\$ 230,581</u>	<u>\$ (178,436)</u>	<u>\$ 2,485,453</u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	\$ 246,395	\$ 105,697	\$ (99,130)	\$ 252,962
Accrued expenses	277,042	40,960	-	318,002
Deferred revenue	702,458	-	-	702,458
Client deposits	204,172	-	-	204,172
Accrued compensated absences	<u>99,860</u>	<u>4,618</u>	<u>-</u>	<u>104,478</u>
TOTAL LIABILITIES	<u>1,529,927</u>	<u>151,275</u>	<u>(99,130)</u>	<u>1,582,072</u>
NET ASSETS				
Without Donor Restrictions				
Undesignated	185,119	79,306	(79,306)	185,119
Board designated	<u>650,000</u>	<u>-</u>	<u>-</u>	<u>650,000</u>
Total without donor restrictions	835,119	79,306	(79,306)	835,119
With Donor Restrictions				-
Purpose restrictions	<u>68,262</u>	<u>-</u>	<u>-</u>	<u>68,262</u>
Total with donor restrictions	<u>68,262</u>	<u>-</u>	<u>-</u>	<u>68,262</u>
TOTAL NET ASSETS	<u>903,381</u>	<u>79,306</u>	<u>(79,306)</u>	<u>903,381</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,433,308</u>	<u>\$ 230,581</u>	<u>\$ (178,436)</u>	<u>\$ 2,485,453</u>

CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	Catholic Charities Inc.	Catholic Charities Works Corp	Inter Company Eliminations	Totals
SUPPORT AND REVENUES				
Support				
United Way allocations	\$ 114,099	\$ -	\$ -	\$ 114,099
Diocesan Ministry Fund support	95,941	-	-	95,941
Pueblo Deanery support	10,258	-	-	10,258
Contributions	458,449	1,940	-	460,389
Assistance programs	200,983	-	-	200,983
In-kind rent	81,280	-	-	81,280
Total Support	<u>961,010</u>	<u>1,940</u>	<u>-</u>	<u>962,950</u>
Revenues				
Grant revenue	4,511,466	845,071	-	5,356,537
Money management fees	91,738	-	-	91,738
Immigration service fees	77,896	-	-	77,896
Other fees	10,661	-	-	10,661
Special event, net of costs \$	(747)	-	-	(747)
Miscellaneous revenues	672	-	-	672
Reimbursed expenses	96,095	697	(85,548)	11,244
Investment income	1,986	-	-	1,986
Subsidiary income(loss)	34,323	-	(34,323)	-
Total Revenues	<u>4,824,090</u>	<u>845,768</u>	<u>(119,871)</u>	<u>5,549,987</u>
 TOTAL SUPPORT AND REVENUES	 <u>5,785,100</u>	 <u>847,708</u>	 <u>(119,871)</u>	 <u>6,512,937</u>
 EXPENSES				
Functional Expenses				
Program services	4,022,954	714,732	(85,548)	4,652,138
Management and general	1,070,492	98,653	-	1,169,145
Fundraising	18,047	-	-	18,047
 TOTAL EXPENSES	 <u>5,111,493</u>	 <u>813,385</u>	 <u>(85,548)</u>	 <u>5,839,330</u>
 CHANGE IN NET ASSETS	 673,607	 34,323	 (34,323)	 673,607
 NET ASSETS, beginning	 <u>903,381</u>	 <u>79,305</u>	 <u>(79,305)</u>	 <u>903,381</u>
 NET ASSETS, ending	 <u>\$ 1,576,988</u>	 <u>\$ 113,628</u>	 <u>\$ (113,628)</u>	 <u>\$ 1,576,988</u>

CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Catholic Charities <u>Inc.</u>	Catholic Charities <u>Works Corp</u>	Inter Company <u>Eliminations</u>	<u>Totals</u>
SUPPORT AND REVENUES				
Support				
United Way allocations	\$ 73,477	\$ -	\$ -	\$ 73,477
Diocesan Ministry Fund support	100,000	-	-	100,000
Pueblo Deanery support	11,955	-	-	11,955
Contributions	421,738	-	-	421,738
Assistance programs	113,560	-	-	113,560
In-kind rent	81,280	-	-	81,280
Total Support	<u>802,010</u>	<u>-</u>	<u>-</u>	<u>802,010</u>
Revenues				
Grant revenue	4,095,757	552,609	-	4,648,366
Money management fees	90,284	-	-	90,284
Immigration service fees	89,502	-	-	89,502
Other fees	9,444	-	-	9,444
Special event, net of costs \$	110,895	-	-	110,895
Miscellaneous revenues	4,979	-	-	4,979
Reimbursed expenses	13,113	-	-	13,113
Investment income	67,069	-	-	67,069
Subsidiary income(loss)	92,605	-	(92,605)	-
Total Revenues	<u>4,573,648</u>	<u>552,609</u>	<u>(92,605)</u>	<u>5,033,652</u>
 TOTAL SUPPORT AND REVENUES	 <u>5,375,658</u>	 <u>552,609</u>	 <u>(92,605)</u>	 <u>5,835,662</u>
 EXPENSES				
Functional Expenses				
Program services	4,092,632	400,992	-	4,493,624
Management and general	1,337,007	59,012	-	1,396,019
Fundraising expense	30,817	-	-	30,817
 TOTAL EXPENSES	 <u>5,460,456</u>	 <u>460,004</u>	 <u>-</u>	 <u>5,920,460</u>
 CHANGE IN NET ASSETS	 (84,798)	 92,605	 (92,605)	 (84,798)
 NET ASSETS, beginning	 <u>988,179</u>	 <u>(13,300)</u>	 <u>13,300</u>	 <u>988,179</u>
 NET ASSETS, ending	 <u>\$ 903,381</u>	 <u>\$ 79,305</u>	 <u>\$ (79,305)</u>	 <u>\$ 903,381</u>

GOVERNMENT AUDITING STANDARDS

AND

UNIFORM GUIDANCE REPORTS

**CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC. AND SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

SUMMARY OF INDEPENDENT AUDITORS' RESULTS

FINANCIAL STATEMENTS

An unmodified opinion was rendered on the financial statements of Catholic Charities of the Diocese of Pueblo, Inc. and Subsidiary as of and for the year ended June 30, 2020 in accordance with generally accepted accounting principles.

Internal control over financial reporting:

- Material weakness (es) identified? X Yes No
- Significant deficiencies identified that are 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 federal programs:

- Material weakness (es) identified? Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

An unmodified opinion on compliance for major programs was issued.

Any audit findings disclosed that are required to be reported in accordance with the 2 CFR 200.516(a)? Yes X No

Identification of major federal programs:

CFDA Number
93.870

Name of Federal Program
Affordable Care Act (ACA) Maternal, Infant,
and Early Childhood Home Visiting Program

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as a low risk auditee? Yes X No

**CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC. AND SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS(CONTINUED)
YEAR ENDED JUNE 30, 2020**

FINANCIAL STATEMENT FINDINGS

Finding 2020-001: Recording and allocating expenses to the proper grant.

Criteria or specific requirement: Catholic Charities needs to review all accounts to verify that the general ledger balances agree to balances of subsidiary ledgers and workpapers.

Condition/Context/Effect: Accounts payable and accrued expenses did not have the prior year balances cleared from the current year ending balances.

Cause: Significant turnover of personnel along with a lack of review of general ledger and balancing back to subsidiary ledgers and supporting documentation.

Recommendations:

Catholic Charities of the Diocese of Pueblo, Inc. and Subsidiary has a small accounting staff and they may not have the necessary knowledge of all potential issues that arise in not-for-profit accounting. Our recommendation is to hire additional qualified staff and provide staff training in proper accounting procedures for not-for-profit accounting, obtain a copy of the AICPA Not-For-Profit Audit Accounting Guide along with access to the FASB Codification to help with research and ask professionals when encountering unusual or significant transactions. Also review the general ledger to verify that balances agree to subsidiary ledgers and workpapers.

Views of responsible officials and planned corrective action:

We agree with the above finding and have implemented an appropriate corrective action plan.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings or questioned costs for federal awards were noted.

**CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC. AND SUBSIDIARY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2020**

FINANCIAL STATEMENT FINDINGS

Finding 2019-001

Current Status: Corrective action taken

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2019-002

Current Status: Corrective action taken

CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC. AND SUBSIDIARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Pass-through to Subrecipients</u>	<u>Total Federal Expenditures</u>
U.S. Department of Housing and Urban Development (HUD)				
Passed through Catholic Charities USA				
Housing Counseling Assistance Program	14.169	HC140011017	-	\$ 32,076
Passed through City of Pueblo				
Community Development Block Grant/Entitlement Grant	14.218	CD156	-	<u>17,144</u>
Total U.S. Department of Housing and Urban Development (HUD)				<u>\$ 49,220</u>
Corporation for National and Community Service				
Passed through Colorado Child and Parent Foundation				
AmerCorps	94.006	Not available	-	<u>\$ 70,070</u>
U.S. Department of Health and Human Services				
Passed through State Department of Human Services				
Affordable Care Act (ACA) Maternal, Infant, and Early		IHA MIEC1461295		
Childhood Home Visiting Program	93.870	IHA MIEC1461296	-	<u>\$ 1,219,401</u>
Total Department of Health and Human Service				<u>\$ 1,219,401</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 1,338,691</u>

CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC. AND SUBSIDIARY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Catholic Charities of the Diocese of Pueblo, Inc. and Subsidiary under programs of the federal government for the year ended June 30, 2020 . The information in this schedule 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). Because the schedule presents only a selected portion of the operations of Catholic Charities of the Diocese of Pueblo, Inc. and Subsidiary, it is not intended to and does not present the financial position, changes in net assets or cash flows of Catholic Charities of the Diocese of Pueblo, Inc. and Subsidiary.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance.

NOTE C - INDIRECT COST RATE

Catholic Charities of the Diocese of Pueblo, Inc. and Subsidiary has elected to use the 10 percent de-minimus indirect cost rate allowed under Uniform Guidance.



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McPherson, Goodrich, Paolucci & Mihelich, PC

Tax/Consulting/Audit

Certified Public Accountants

**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**

Independent Auditor's Report

Board of Directors

Catholic Charities of the Diocese of Pueblo, Inc. and Subsidiary
Pueblo, Colorado

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 Pueblo, Inc. and Subsidiary (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated 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 December 10, 2020.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered Catholic Charities of the Diocese of Pueblo, Inc. and Subsidiaries 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 Catholic Charities of the Diocese of Pueblo, Inc. and Subsidiaries internal control. Accordingly, we do not express an opinion on the effectiveness of Catholic Charities of the Diocese of Pueblo, Inc. and Subsidiaries internal control.

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

Our consideration of the 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 a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a material weakness.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Catholic Charities of the Diocese of Pueblo, Inc. and Subsidiaries 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*.

CATHOLIC CHARITIES' RESPONSE TO FINDINGS

Catholic Charities of the Diocese of Pueblo, Inc. and Subsidiaries response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Catholic Charities of the Diocese of Pueblo, Inc. and Subsidiaries 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McPherson, Goodrich, Paudyal & Mahesh, P.C.

December 10, 2020



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**INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
Catholic Charities of the Diocese of Pueblo, Inc. and Subsidiary
Pueblo, Colorado

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Catholic Charities of the Diocese of Pueblo, Inc. and Subsidiaries compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Catholic Charities of the Diocese of Pueblo, Inc. and Subsidiaries major federal program for the year ended June 30, 2020. Catholic Charities of the Diocese of Pueblo, Inc. and Subsidiaries major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

MANAGEMENT'S RESPONSIBILITY

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on compliance for Catholic Charities of the Diocese of Pueblo, Inc. and Subsidiaries major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Catholic Charities of the Diocese of Pueblo, Inc. and Subsidiaries compliance with those requirements and performing such other procedures we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for its major federal program. However, our audit does not provide a legal determination of Catholic Charities of the Diocese of Pueblo, Inc. and Subsidiaries compliance.

OPINION ON THE MAJOR FEDERAL PROGRAM

In our opinion, Catholic Charities of the Diocese of Pueblo, Inc. and Subsidiary, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of Catholic Charities of the Diocese of Pueblo, Inc. and Subsidiary, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Catholic Charities of the Diocese of Pueblo, Inc. and Subsidiaries internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Catholic Charities of the Diocese of Pueblo, Inc. and Subsidiaries internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section, and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify certain 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.

McPherson, Goodhart, Proctor & Mitchell, P.C.

December 10, 2020



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Xcel Energy

Providing help. Creating hope. Serving all.

December 10, 2020

Michael Banks
Fiscal Monitoring Lead
CDHS
1575 Sherman St.
Denver, CO 80203

RE: Catholic Charities of the Diocese of Pueblo July 2019-June 2020 Audit

Dear Mr. Banks,

In our audit for July 2019-June 2020, we had a Financial Statement Finding. Finding 2020-001: Recording and allocating expense to the proper grant stated that prior year accounts payable and accrued expenses were not cleared from the ending balance due to the omission of a necessary prior period accrual reversal which was caused by personnel turnover.

In order to resolve this issue Catholic Charities has taken or intends to take the following steps:

- **Staffing**
 - Fill finance positions with qualified staff
 - Increase staff retention
 - Utilize external resources of accounting professionals as necessary
- **Internal Controls**
 - Increased training of finance staff
 - Utilize external accounting resources routinely for financial statement review

Many of these actions have already been put into place, and we intend to complete the implementation of these corrective actions by June 30, 2021.

Our finance department contact person is Cari Herrald, Director of Finance.

Sincerely,

Ida Rhodes,
Interim Executive Director



United Way of Pueblo County