

CATHOLIC CHARITIES, INC.
FINANCIAL STATEMENTS
WITH
SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2020 AND 2019
WITH
INDEPENDENT AUDITOR'S REPORT



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SUPPLEMENTARY INFORMATION**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Catholic Charities, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Catholic Charities, Inc. (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 opinions 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 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2020 the Organization adopted *Revenue from Contracts with Customers* and ASU 2018-08, *Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary Information

Our audits were conducted for the purpose of 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 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 1, 2020 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Allen, Gibbs & Houlik, L.C.
CERTIFIED PUBLIC ACCOUNTANTS

December 1, 2020
Wichita, KS

CATHOLIC CHARITIES, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2020 and 2019

ASSETS

ASSETS	2020	2019
Cash and cash equivalents	\$ 6,843,985	\$ 1,230,648
Accounts receivable		
Grants	248,061	474,049
Clients, net of allowance for doubtful accounts of \$3,000 in 2020 and \$3,000 in 2019	81,660	137,531
Contributions receivable		
Diocesan subsidy	710,600	740,100
Promises to give, net of discount of \$25,696 in 2020 and \$20,136 in 2019	1,721,618	1,029,864
Investments	4,620,612	4,626,059
Prepaid expenses	--	4,098
Property and equipment, net	<u>4,471,403</u>	<u>4,502,614</u>
Total assets	<u><u>\$ 18,697,939</u></u>	<u><u>\$ 12,744,963</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	\$ 82,539	\$ 143,903
Accrued compensation and benefits	304,987	207,935
Deferred revenue	240,184	850,000
Lease payable	<u>26,966</u>	<u>42,787</u>
Total liabilities	<u><u>654,676</u></u>	<u><u>1,244,625</u></u>
NET ASSETS		
Without donor restrictions	7,811,812	7,429,662
With donor restrictions	<u>10,231,451</u>	<u>4,070,676</u>
Total net assets	<u><u>18,043,263</u></u>	<u><u>11,500,338</u></u>
Total liabilities and net assets	<u><u>\$ 18,697,939</u></u>	<u><u>\$ 12,744,963</u></u>

The accompanying notes are an integral part of these financial statements.

CATHOLIC CHARITIES, INC.

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2020 and 2019

	2020		
	Without donor restrictions	With donor restrictions	Total
Support, revenue and investment income:			
Net client service fees	\$ 1,426,200	\$ --	\$ 1,426,200
Public grants	2,656,346	--	2,656,346
Private grants	--	92,445	92,445
Contributions	2,326,680	6,887,781	9,214,461
Diocesan subsidy	--	710,600	710,600
United Way funding	432,370	--	432,370
Fundraising events	418,280	--	418,280
Investment income	100,311	59,652	159,963
Other	8,154	--	8,154
Loan forgiveness	<u>692,016</u>	--	<u>692,016</u>
Total support, revenue and investment income	<u>8,060,357</u>	<u>7,750,478</u>	<u>15,810,835</u>
Net assets released from restrictions			
Expiration of time restrictions	740,100	(740,100)	--
Satisfaction of purpose restrictions	<u>849,603</u>	<u>(849,603)</u>	--
Total net assets released from restrictions	<u>1,589,703</u>	<u>(1,589,703)</u>	--
Expenses:			
Program services			
Counseling	433,293	--	433,293
Adult Day Services	1,628,378	--	1,628,378
Our Daily Bread	942,048	--	942,048
Southeast Kansas Social Services	297,931	--	297,931
Anthony Family Shelter	1,416,744	--	1,416,744
Harbor House	2,289,623	--	2,289,623
Foster Grandparents	483,910	--	483,910
Immigration Services	280,391	--	280,391
Support Services			
Management and general	1,186,099	--	1,186,099
Fundraising and public relations	<u>309,493</u>	--	<u>309,493</u>
Total expenses	<u>9,267,910</u>	--	<u>9,267,910</u>
Change in net assets	382,150	6,160,775	6,542,925
Net assets, beginning of year	<u>7,429,662</u>	<u>4,070,676</u>	<u>11,500,338</u>
Net assets, end of year	<u>\$ 7,811,812</u>	<u>\$ 10,231,451</u>	<u>\$ 18,043,263</u>

	2019		
	Without donor restrictions	With donor restrictions	Total
Support, revenue and investment income:			
Net client service fees	\$ 1,801,914	\$ --	\$ 1,801,914
Public grants	2,605,819	--	2,605,819
Private grants	33,500	45,020	78,520
Contributions	1,527,537	877,500	2,405,037
Diocesan subsidy	--	740,100	740,100
United Way funding	445,167	--	445,167
Fundraising events	437,366	--	437,366
Investment income	119,766	96,076	215,842
Other	25,104	--	25,104
 Total support, revenue and investment income	 6,996,173	 1,758,696	 8,754,869
 Net assets released from restrictions			
Expiration of time restrictions	792,050	(792,050)	--
Satisfaction of purpose restrictions	958,816	(958,816)	--
 Total net assets released from restrictions	 1,750,866	 (1,750,866)	 --
 Expenses:			
Program services			
Counseling	553,910	--	553,910
Adult Day Services	1,450,218	--	1,450,218
Our Daily Bread	444,380	--	444,380
Southeast Kansas Social Services	131,350	--	131,350
Anthony Family Shelter	1,221,495	--	1,221,495
Harbor House	2,145,800	--	2,145,800
Foster Grandparents	492,708	--	492,708
Immigration Services	281,733	--	281,733
Support Services			
Management and general	1,288,826	--	1,288,826
Fundraising and public relations	237,960	--	237,960
 Total expenses	 8,248,380	 --	 8,248,380
 Change in net assets	 498,659	 7,830	 506,489
 Net assets, beginning of year	 6,931,003	 4,062,846	 10,993,849
 Net assets, end of year	 \$ 7,429,662	 \$ 4,070,676	 \$ 11,500,338

The accompanying notes are an integral part of these financial statements.

CATHOLIC CHARITIES, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended June 30, 2020

	Program Services				
	Counseling	Adult Day Services	Our Daily Bread	Southeast Kansas Social Services	Anthony Family Shelter
Salaries and benefits	\$ 257,501	\$ 875,822	\$ 61,326	\$ 128,061	\$ 640,211
Professional fees and dues	68,194	356,638	47,497	40,391	161,190
Payments to sub-contractors	62,330	--	--	--	--
Occupancy	25,144	167,221	20,404	2,726	103,577
Supplies	2,986	100,577	801,117	8,822	167,438
Training	1,205	4,997	--	1,000	7,789
Travel and automobile	2,171	47,923	4,831	1,688	4,391
Stipends	--	--	--	--	--
Special assistance to individuals	1,568	--	--	113,464	231,741
Interest	--	1,927	--	--	--
Other	<u>11,399</u>	<u>2,104</u>	<u>18</u>	<u>--</u>	<u>4,265</u>
Subtotal	432,498	1,557,209	935,193	296,152	1,320,602
Depreciation and amortization	795	71,169	6,855	1,779	96,142
Total expenses	<u>\$ 433,293</u>	<u>\$ 1,628,378</u>	<u>\$ 942,048</u>	<u>\$ 297,931</u>	<u>\$ 1,416,744</u>

Program Services

Harbor House	Foster Grandparents	Immigration Services	Management and General	Fundraising	Total
\$ 1,316,839	\$ 162,293	\$ 192,431	\$ 1,355,899	\$ 168,030	\$ 5,158,413
238,745	20,677	50,861	(536,753)	14,615	462,055
--	--	--	--	--	62,330
104,623	7,654	19,852	126,343	2,168	579,712
243,064	5,802	12,663	107,106	116,755	1,566,330
10,115	175	2,658	2,958	1,125	32,022
28,442	42,237	29	4,251	214	136,177
--	245,072	--	--	--	245,072
224,215	--	--	--	--	570,988
--	--	--	--	--	1,927
42,811	--	1,447	(9,862)	6,586	58,768
2,208,854	483,910	279,941	1,049,942	309,493	8,873,794
80,769	--	450	136,157	--	394,116
\$ 2,289,623	\$ 483,910	\$ 280,391	\$ 1,186,099	\$ 309,493	\$ 9,267,910

The accompanying notes are an integral part of these financial statements.

CATHOLIC CHARITIES, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended June 30, 2019

	Program Services				Southeast Kansas Social Services	Anthony Family Shelter
	Counseling	Adult Day Services	Our Daily Bread			
Salaries and benefits	\$ 316,041	\$ 804,660	\$ 50,032	\$ 65,863	\$ 603,636	
Professional fees and dues	86,139	273,220	40,503	26,374	127,126	
Payments to sub-contractors	89,049	--	--	--	--	--
Occupancy	37,098	161,939	19,542	4,218	103,150	
Supplies	6,177	99,127	319,936	6,751	136,574	
Training	2,481	2,569	--	1,839	4,724	
Travel and automobile	562	35,340	2,778	2,090	11,091	
Stipends	--	--	--	--	--	--
Special assistance to individuals	--	--	--	23,186	131,388	
Interest	--	2,819	--	--	--	--
Other	15,872	577	14	--	9,765	
Subtotal	553,419	1,380,251	432,805	130,321	1,127,454	
Depreciation and amortization	491	69,967	11,575	1,029	94,041	
Total expenses	\$ 553,910	\$ 1,450,218	\$ 444,380	\$ 131,350	\$ 1,221,495	

Program Services

Harbor House	Foster Grandparents	Immigration Services	Management and General	Fundraising	Total
\$ 1,202,806	\$ 158,120	\$ 187,056	\$ 1,244,962	\$ 97,607	\$ 4,730,783
159,964	17,548	54,160	(309,157)	19,397	495,274
--	--	--	--	--	89,049
104,869	6,854	18,932	108,242	403	565,247
205,743	8,366	15,633	104,249	115,923	1,018,479
2,582	875	1,371	4,062	789	21,292
53,675	61,610	3,117	6,769	81	177,113
--	239,210	--	--	--	239,210
329,150	--	--	(9)	--	483,715
--	--	--	--	--	2,819
25	125	1,464	9,512	3,760	41,114
2,058,814	492,708	281,733	1,168,630	237,960	7,864,095
86,986	--	--	120,196	--	384,285
\$ 2,145,800	\$ 492,708	\$ 281,733	\$ 1,288,826	\$ 237,960	\$ 8,248,380

The accompanying notes are an integral part of these financial statements.

CATHOLIC CHARITIES, INC.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 6,542,925	\$ 506,489
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation and amortization	394,116	384,285
Provision for doubtful accounts	--	55
(Gain) loss on disposal of assets	--	(3,000)
Change in operating assets and liabilities		
Accounts receivable	281,859	(219,757)
Contributions receivable	(662,254)	(977,864)
Prepaid expenses	4,098	(1,386)
Accounts payable	(61,364)	(69,020)
Accrued compensation and benefits	97,052	(32,933)
Deferred revenue	<u>(609,816)</u>	<u>850,000</u>
Net cash flow from operating activities	<u>5,986,616</u>	<u>436,869</u>
Cash flows from investing activities:		
Purchase of property and equipment	(362,905)	(438,762)
Proceeds from sale of property and equipment	--	3,000
Purchase of investments/ earnings reinvested	(125,325)	(197,733)
Withdrawals from managed investment accounts	<u>130,772</u>	<u>127,270</u>
Net cash flow from investing activities	<u>(357,458)</u>	<u>(506,225)</u>
Cash flows from financing activities:		
Payments on capital leases	<u>(15,821)</u>	<u>(15,494)</u>
Net cash flow from financing activities	<u>(15,821)</u>	<u>(15,494)</u>
Net change in cash and cash equivalents	5,613,337	(84,850)
Cash and cash equivalents, beginning of period	<u>1,230,648</u>	<u>1,315,498</u>
Cash and cash equivalents, end of period	<u>\$ 6,843,985</u>	<u>\$ 1,230,648</u>

The accompanying notes are an integral part of these financial statements.

CATHOLIC CHARITIES, INC.

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Catholic Charities, Inc. (Organization) is sponsored by the Catholic Diocese of Wichita. The Chancery Office of the Diocese provides an annual subsidy to partially fund the programs and services provided by the Organization.

The Organization provides the following programs and services in the southeastern quarter of Kansas:

Counseling - Individual, family, marital, and school counseling services.

Adult Day Services - Licensed facility provides a range of services for the aged and those with developmental, mental and physical disabilities, as well as Alzheimer's / Dementia.

Our Daily Bread - Helps individuals and families meet their nutritional needs by utilizing a model that allows them to personally select products from our food pantry on a monthly basis.

Southeast Kansas Social Services - Client assistance including rent and utilities with access to other community support services.

Anthony Family Shelter - Homeless families receive emergency shelter, in-house and follow-up case management services, life-skills training and family support services. The Seeds for Success Program helps clients who are facing poverty obtain, maintain and advance in employment by identifying and removing barriers. The SSVF (Supportive Services for Veteran Families) program assists low-income veterans and their families obtain and maintain stable housing.

Harbor House - Provides temporary shelter, counseling, education, outreach and advocacy to women and children who are victims of domestic violence. Outreach services extend to Via Christi Medical Center, the District Attorney's office, municipal court and the Wichita, Kansas Department of Children and Families Offices.

Foster Grandparents - Men and women age 55 and older are placed in 20 to 40 hour per week assignments working with "special needs" children, children in foster care and youth in a variety of community settings. A stipend is paid to those who meet income eligibility requirements.

Immigration Services - Assistance in applying for immigration and naturalization benefits, and interpreter services.

Cash and Cash Equivalents - For purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents held by investment managers are considered investments.

CATHOLIC CHARITIES, INC.

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable - The Organization's accounts receivable are primarily due from grantor agencies and clients. The allowance for doubtful accounts, if necessary, is specifically determined by management for each payor type balance considering a number of factors, including the length of time accounts receivable are past due, previous loss history and the customer's current ability to pay its obligation to the Organization. The Organization provides an allowance for accounts receivable when they become uncollectible. Uncollectible accounts receivable and payments subsequently received on such receivables are charged or credited to the allowance for doubtful accounts.

Contributions Receivable - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. No allowance for uncollectible accounts has been established for promises to give, since management deems them fully collectible. Conditional promises to give are not included as support until the conditions are substantially met.

Investments - Investments consist of an investment in the Catholic Diocese of Wichita endowment fund. The investment in the Catholic Diocese of Wichita endowment fund is reported at fair value in the accompanying financial statements. As discussed in Note 3, fair value is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Property and Equipment - Acquisitions of property and equipment are capitalized at cost when purchased or at fair value at date of gift, when donated. Depreciation is computed using the straight-line method over the estimated useful life of each asset. For long-term lease agreements on property and equipment with lower than market rates, the Organization records the difference between the stated lease rates and the market rates as a right to use asset. The rights to use a building, along with related leasehold improvements, are amortized over the shorter of the lease term or their respective estimated useful lives. Construction in process includes assets that are capitalized but have not yet been placed in service and depreciation has not yet begun.

The following estimated useful lives are being used by the Organization:

Building and improvements	10 - 40 years
Right to use - building and related leasehold improvements	5 years
Furniture and equipment	5 - 10 years
Vehicles	3 - 5 years
Software	3 - 5 years

CATHOLIC CHARITIES, INC.

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Client Service Fees - Client service fees are recorded at net realizable amounts, which represent list price net of contractual adjustments (which are the difference between charges and the amount received or receivable from third-party payors) deducted to arrive at net client service fees.

Grant Revenue - Grant revenue is recognized when the related reimbursable expenditures are incurred. Revenue collected in advance of related expenditures is presented as deferred grant revenue in the statements of financial position.

Contributions and Contributed Services - Contributions received and unconditional promises to give are initially measured at fair value and are reported as an increase in net assets. Gifts of cash and other assets are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated asset or if they are designated by the donor as support for future periods. When the donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. Conditional promises to give, which are dependent upon the occurrence of a specified future event or other stipulation, are recognized when the conditions are substantially met.

Income Taxes - The Organization is exempt from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, any unrelated business income may be subject to taxation. Management reviews significant tax positions and recognizes the financial statement benefit of a tax position only after determining the relevant tax authority would more likely than not sustain the position following an audit.

Use of Estimates - In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications - Certain amounts in the prior year financial statements have been reclassified to conform to current year presentation.

Change in Accounting - Effective July 1, 2019, the Organization adopted *Revenue from Contracts with Customers*. This new guidance outlines a comprehensive model for companies to use in accounting for revenue arising from contracts with customers and supersedes most existing revenue recognition guidance, including industry-specific guidance.

As a result of the adoption of the new guidance, the Organization evaluated its existing revenue streams and revenue recognition policies and determined that the current accounting policies remain unchanged.

CATHOLIC CHARITIES, INC.

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Additionally, effective July 1, 2019, the Organization adopted ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This new guidance provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction, for determining whether a contribution is conditional and better distinguish a donor-imposed condition from a donor-imposed restriction.

As a result of the adoption of the new guidance, the Organization evaluated its existing revenue streams and determined that a change in accounting policy to distinguish between conditional and unconditional grants was necessary. For all grants and contributions deemed conditional, the Organization will defer revenue and expense recognition, respectively, until such time as conditions are met.

The Organization elected a modified retrospective adoption method and applied the changes to all contracts, grants and contributions as of July 1, 2019, and there was no effect on beginning net assets as a result of adoption.

Revenue Recognition - The Organization's exchange-type revenues include counseling, immigration services, and adult day services. Counseling services and immigration services are not associated with client contracts. Services are rendered at the time of the appointment with no further performance obligation. Therefore, revenue is recognized at the time the service is rendered and payment from the customer is due. For adult day services, there is an agreement for each client that the organization will provide services, working towards specified objectives, and will be compensated at a fixed rate based on number client days provided. Performance obligations are satisfied over time, as client days are provided.

Subsequent Events - The Organization evaluated and disclosed subsequent events through December 1, 2020, the date the financial statements were available to be issued.

Impact of COVID-19 - On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic and recommended worldwide mitigation measures. The full extent of COVID-19's effect on the Organization's operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult to predict considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall impact of COVID-19 on the Organization's operations. However, during fiscal year 2020 the Organization saw a significant decline in the Adult Day Services program. On multiple occasions, the program was temporarily suspended by public health officials and program layoffs have occurred as a result.

In April 2020, the Organization applied for and received a \$932,200 loan under the Payroll Protection Program loan created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. As a result, the Organization has determined that the loan should be treated as a conditional contribution and recognize revenue as conditions are met. During 2020, \$692,016 eligible costs were incurred and loan forgiveness revenue was recognized in the same amount.

CATHOLIC CHARITIES, INC.

NOTES TO FINANCIAL STATEMENTS

2. INVESTMENTS

Investments are as follows as of June 30:

	2020	2019
Catholic Diocese of Wichita endowment fund	\$ 4,620,612	\$ 4,626,059

In general, the Organization's investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to these risks, it is possible that changes in the values of investments could occur in the near term and that such changes could materially affect the net assets stated in the accompanying financial statements.

3. FAIR VALUE MEASUREMENTS

Generally accepted accounting principles provide guidance which defines fair value, establishes a framework for measuring fair value under current accounting pronouncements that require or permit fair value measurement, and enhances disclosures about fair value measurements.

This guidance enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values.

The guidance requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 Inputs - Quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs - Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3 Inputs - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value measurements of the assets or liabilities.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Catholic Diocese of Wichita Endowment Fund - The Organization's investment in the Catholic Diocese of Wichita endowment fund (Fund) is valued by the Catholic Diocese of Wichita based on estimates of the underlying investments of the Fund as provided by fund managers and based on other market-based data. Because the Organization owns an undivided interest in the Fund, its unit of account for fair value measurement purposes is the Fund. The Organization cannot look through the Fund to its underlying assets for the classification level in the fair value hierarchy. Rather, it must consider if relevant observable inputs exist for an undivided interest in the Fund. The Fund is classified as Level 3 in the fair value hierarchy because no observable inputs exist for an undivided interest in the Fund. However, at June 30, 2020 and June 30, 2019,

CATHOLIC CHARITIES, INC.

NOTES TO FINANCIAL STATEMENTS

3. FAIR VALUE MEASUREMENTS (CONTINUED)

approximately 96%, of the underlying assets of the Fund are mutual funds or publicly traded securities with fair values measured based on quoted market prices for identical assets in active markets. The Organization can only deposit and withdraw from the Fund on a quarterly basis.

The preceding methods to measure fair value may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of assets and liabilities could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, investments in the Catholic Diocese of Wichita endowment fund at fair value at:

	Level 1	Level 2	Level 3
June 30, 2020			
Endowment fund	\$ --	\$ --	\$ 4,620,612
	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 4,620,612</u>
June 30, 2019			
Endowment fund	\$ --	\$ --	\$ 4,626,059
	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 4,626,059</u>

Changes in assets measured at fair value using significant unobservable inputs (level 3) are as follows:

	Year Ended June 30, 2020	Year Ended June 30, 2019
Endowment fund, beginning of year	\$ 4,626,059	\$ 4,555,596
Investment performance	125,325	197,733
Contributions	--	--
Withdrawals	(130,772)	(127,270)
Endowment fund, end of year	<u>\$ 4,620,612</u>	<u>\$ 4,626,059</u>

Unrealized gains and losses are reported with investment income (loss) on the statement of activities.

CATHOLIC CHARITIES, INC.

NOTES TO FINANCIAL STATEMENTS

4. LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The following reflects the Organization's financial assets as of June 30, 2020 and 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date:

	2020	2019
Cash and cash equivalents	\$ 6,843,985	\$ 1,230,648
Accounts receivable		
Grants	248,061	474,049
Clients, net of allowance for doubtful accounts	81,660	137,531
Contributions receivable		
Diocesan subsidy	710,600	740,100
Promises to give, net of discount	1,721,618	1,029,864
Investments	<u>4,620,612</u>	<u>4,626,059</u>
Total financial assets	<u>14,226,536</u>	<u>8,238,251</u>
Less amounts unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Contributions subject to conditions	240,184	850,000
Purpose-restricted net assets	7,299,024	1,082,847
Donor-restricted endowment funds	2,221,828	2,247,72
Board-designated endowment fund	<u>1,866,441</u>	<u>1,852,700</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,599,059</u>	<u>\$ 2,204,975</u>

The above table reflects donor-restricted and board-designated endowment funds as unavailable because it is the Organization's intention to invest those resources for the long-term support of the Organization. However, in the case of need, the Board of Directors could appropriate resources from either the donor-restricted funds available for general use (\$2,221,828, of which \$1,956,283 is the original gift) or from its board-designated endowment fund (\$1,866,441). Note 5 provides additional information about the Organization's endowment funds.

CATHOLIC CHARITIES, INC.

NOTES TO FINANCIAL STATEMENTS

5. ENDOWMENT

The endowment includes donor-restricted permanently endowed funds, other donor funds that are restricted as to purpose only and have been designated by the Board of Directors (Board) for investment in the Catholic Diocese of Wichita endowment fund (Fund), and unrestricted funds designated by the Board to be invested in the Fund. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - The Board of Directors of the Organization has interpreted the Kansas Uniform Prudent Management of Institutional Funds Act (KS UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions, (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund continues to be reported as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by KS UPMIFA.

In accordance with KS UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

Endowment net assets composition by type of fund is as follows as of:

	June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 1,807,888	\$ --	\$ 1,807,888
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	--	1,956,283	1,956,283
Accumulated investment gains	--	265,545	265,545
Board-designated endowment from donor-restricted funds	58,553	532,343	590,896
	<u>\$ 1,866,441</u>	<u>\$ 2,754,171</u>	<u>\$ 4,620,612</u>

CATHOLIC CHARITIES, INC.

NOTES TO FINANCIAL STATEMENTS

5. ENDOWMENT (CONTINUED)

	June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 1,794,060	\$ --	\$ 1,794,060
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	--	1,956,283	1,956,283
Accumulated investment gains	--	291,446	291,446
Board-designated endowment from donor-restricted funds	58,640	525,630	584,270
	<u>\$ 1,852,700</u>	<u>\$ 2,773,359</u>	<u>\$ 4,626,059</u>

Changes in endowment net assets are as follows:

	Year Ended June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,852,700	\$ 2,773,359	\$ 4,626,059
Investment return, net	65,672	59,652	125,324
Reclassification of Board designated amounts	(6,713)	6,713	--
Appropriation of endowment assets for expenditure	(45,218)	(85,553)	(130,771)
	<u>\$ 1,866,441</u>	<u>\$ 2,754,171</u>	<u>\$ 4,620,612</u>
	Year Ended June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,593,885	\$ 2,961,711	\$ 4,555,596
Investment return, net	101,658	96,076	197,734
Reclassification of Board designated amounts	200,122	(200,122)	--
Appropriation of endowment assets for expenditure	(42,965)	(84,306)	(127,271)
	<u>\$ 1,852,700</u>	<u>\$ 2,773,359</u>	<u>\$ 4,626,059</u>

CATHOLIC CHARITIES, INC.

NOTES TO FINANCIAL STATEMENTS

5. ENDOWMENT (CONTINUED)

Return Objective and Risk Parameters - The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity as well as Board designated funds. The Organization's endowment consists of amounts invested in the Fund. The Fund targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. The Fund invests in equities, fixed income securities, alternative investment strategies and cash equivalents with the primary objective being preservation of the Fund's purchasing power, seeking a balance between long-term appreciation and current income with relatively low tolerance for risk. The Fund investments shall also meet the objectives of social and moral responsibility in harmony with the teachings of the Catholic Church. The Fund's investment objectives over any five-year moving average is to exceed the annualized increase in the Consumer Price Index by six percentage points and to equal or exceed 105% of a defined composite portfolio. Actual returns of the Fund in any given year may vary from this amount.

Spending Policy - Since the purpose of the endowments is to provide for future needs, the reinvestment of earnings and long-term growth is encouraged. The annual withdrawal limit is set at 4% of the average market value of the Fund, determined annually based on the ending market values for the previous twelve calendar quarters.

6. PROMISES TO GIVE

Promises to give, which are related to a capital campaign for the Organization's Adult Day Services facility, are as follows as of June 30:

	2020	2019
Receivable in less than one year	\$ 1,235,734	\$ 66,667
Receivable in one to five years	511,580	983,333
	1,747,314	1,050,000
Less discount	25,696	20,136
Pledges receivable, net	<u>\$ 1,721,618</u>	<u>\$ 1,029,864</u>

Long-term promises to give have been discounted using a 3.25% rate. For the year ended June 30, 2020, all promises to give are unconditional.

CATHOLIC CHARITIES, INC.

NOTES TO FINANCIAL STATEMENTS

7. PROPERTY AND EQUIPMENT

Property and equipment are as follows as of June 30:

	2020	2019
Land	\$ 454,418	\$ 454,418
Buildings	5,435,785	5,435,786
Building improvements	493,484	493,484
Furniture and equipment	1,218,194	1,105,529
Vehicles	498,341	498,341
Software	542,028	534,528
Construction in progress	474,940	232,205
	<hr/> 9,117,190	<hr/> 8,754,291
Less accumulated depreciation and amortization	4,645,787	4,251,677
	<hr/> <u>\$ 4,471,403</u>	<hr/> <u>\$ 4,502,614</u>

8. LEASE COMMITMENTS

Rent expense related to non-cancellable operating leases was \$59,707 and \$51,296, for the years ended June 30, 2020 and 2019, respectively. Scheduled future minimum lease payments for all long-term operating leases in effect as of June 30, 2020, are as follows:

2021	\$ 48,979
	<hr/> <u>\$ 48,979</u>

The Organization has entered into a lease agreement as lessee for financing a bus with a net book value of \$47,648 and \$60,354 for June 30, 2020 and 2019, respectively. During 2020, \$12,706 was included in depreciation expense. Scheduled future minimum lease payments are as follows:

2021	\$ 15,005
2022	11,961
	<hr/> <u>\$ 26,966</u>

9. RETIREMENT PLANS

The Organization sponsored two retirement plans, a defined contribution plan (to which the Organization contributed 3% of employee compensation) and a tax deferred plan (for employee contributions). The defined contribution plan was terminated on April 11, 2020. The tax deferred plan was restated effective January 1, 2020 and now matches employee contributions up to 6%. All contributions are limited to the amount allowable by law. Retirement expense totaled \$126,964 and \$77,962 for the years ended June 30, 2020 and 2019, respectively.

CATHOLIC CHARITIES, INC.

NOTES TO FINANCIAL STATEMENTS

10. NET CLIENT SERVICE FEES

The Organization has agreements with third-party payors that provide for payments to the Organization at amounts less than its established rates. Client service fees were recorded net of \$226,636 and \$305,469 of contractual adjustments for the years ended June 30, 2020 and 2019, respectively.

11. CONTRIBUTED SERVICES AND MATERIALS

The Organization recognizes contribution revenue for certain services and materials received at fair value at the date of receipt. Contributed occupancy consists primarily of donated rent provided by the Chancery Office of the Catholic Diocese of Wichita. Contributed services and materials are summarized as follows:

	Year Ended June 30, 2020	Year Ended June 30, 2019
Food, clothing, supplies and services (various programs)	\$ 1,215,848	\$ 598,995
Benefits and mileage (Foster Grandparents)	4,867	4,168
	<u>\$ 1,220,715</u>	<u>\$ 603,163</u>

12. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied. Salaries and benefits are allocated based on the roles and responsibilities of certain employees. Rent, utilities, depreciation, and other expenses associated with occupancy are allocated based on a pro-rata basis, based on the percentage of square footage occupied.

13. RELATED PARTY TRANSACTIONS

Lease Agreement - During 2010, the Organization signed a lease agreement with the Catholic Diocese of Wichita for administrative offices and ministry facilities. The lease agreement provides the Organization with use of a portion of a building for 40 years at rent of one dollar per year. The lease period began in February 2013. The lease agreement also includes a requirement for the Organization and the Catholic Diocese of Wichita to deposit \$500 per month and \$750 per month, respectively, to a maintenance reserve account until the account balance reaches \$200,000. The monthly deposit requirements are adjusted by the consumer price index on an annual basis. As of June 30, 2020 and 2019, the monthly deposit requirements for the Organization were \$561 and \$548, respectively. The maintenance reserve account can only be used for major repairs or maintenance to the building that do not arise in the ordinary course of business and exceed \$5,000. As of June 30, 2020 and 2019, the Organization held \$38,887 and \$32,246, respectively, in its maintenance reserve fund.

CATHOLIC CHARITIES, INC.

NOTES TO FINANCIAL STATEMENTS

14. CONCENTRATION OF CASH

The Organization maintains its cash in one financial institution located in Wichita, Kansas. In addition, restricted cash, savings and investments are maintained at the Catholic Diocese of Wichita. In order to manage custodial credit risk, the Organization's deposits in excess of federally insured limits are swept nightly into federal money market funds at the Goldman Sachs trust.

15. NET ASSETS WITH DONOR RESTRICTIONS

The Organization reports net assets with donor restrictions for available for specific purposes or periods as follows as of June 30:

	2020	2019
Subject to expenditure for specified purposes:		
Adult Day Services	\$ 5,027,602	\$ 106,181
Our Daily Bread	224,313	127,273
Counseling/School Counseling	2,764	
SEK and Sumner County Social Services	39,988	37,217
Anthony Family Shelter	1,208,747	145,884
Immigration	2,385	
Harbor House	260,881	137,462
Management and general	--	3,200
Donor purpose restrictions within endowment	532,343	525,630
Subject to the passage of time:		
Diocesan subsidy	710,600	740,100
Endowment funds (original gift \$1,956,283) subject to appropriation prior to use	<u>2,221,828</u>	<u>2,247,729</u>
Total net assets with donor restrictions	<u>\$ 10,231,451</u>	<u>\$ 4,070,676</u>

16. BOARD DESIGNATED NET ASSETS

Designated net assets have been set aside by the Organization's Board of Directors from unrestricted net assets for Our Daily Bread, Anthony Family Shelter, Harbor House and other Board designated purposes.

CATHOLIC CHARITIES, INC.

NOTES TO FINANCIAL STATEMENTS

17. ACCOUNTING STANDARDS ISSUED NOT YET ADOPTED

The FASB issued a new accounting standard, *Leases*, which includes substantial changes for accounting by lessees; existing operating leases and all new leases, unless immaterial, will require balance sheet recognition (right to use asset and lease liability). The standard is first effective for the Organization with its 2023 fiscal year.

The FASB issued a new accounting standard, *Financial Instruments - Credit Losses*, (also known as CECL) that requires the measurement of expected credit losses (allowance for doubtful accounts) that is based on historical experience and current conditions and reasonable and supportable forecasts that affect collectability of reported amounts. The standard is first effective for the Organization with its 2023 year.

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

Board of Directors
Catholic Charities, Inc.

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, Inc. (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 year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 1, 2020.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audits 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.

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 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 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.

Allen, Gibbs & Houlik, L.C
CERTIFIED PUBLIC ACCOUNTANTS

December 1, 2020
Wichita, Kansas

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT
ON INTERNAL CONTROL OVER COMPLIANCE AND REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Catholic Charities, Inc.

Report on Compliance for Each Major Federal Program

We have audited Catholic Charities, Inc.'s (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 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; 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 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, the Organization 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 programs for the year ended June 30, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2020-001. Our opinion on each major federal program is not modified with respect to these matters.

The Organization's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 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, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2020-001, the we consider to be a significant deficiency.

The Organization's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Organization as of and for the year ended June 30, 2020, and have issued our report thereon dated December 1, 2020, which contained an unmodified opinion on those financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Allen, Gibbs & Houlik, L.C
CERTIFIED PUBLIC ACCOUNTANTS

December 1, 2020
Wichita, Kansas

CATHOLIC CHARITIES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weaknesses identified? _____ Yes No
- Significant deficiencies identified? _____ Yes None reported
- Noncompliance material to financial statements noted? _____ Yes No

FEDERAL AWARDS

Internal control over major federal programs:

- Material weaknesses identified? _____ Yes No
- Significant deficiencies identified? Yes _____ None reported

Type of auditor's report issued on compliance of major federal programs:

See below

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

Yes _____ No

Major federal programs, and type of auditor's report issued on compliance for major federal programs:

CFDA Number	NAME OF FEDERAL PROGRAM	OPINION
16.575	<i>Crime Victim Assistance</i>	Unmodified
94.011	<i>Foster Grandparent Program</i>	Unmodified

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

Yes _____ No

CATHOLIC CHARITIES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Years Ended June 30, 2020 and 2019

SECTION II - FINANCIAL STATEMENT FINDINGS

None were reported.

CATHOLIC CHARITIES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Years Ended June 30, 2020 and 2019

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding #: 2020-001 – Significant Deficiency:

CFDA #94.011: Foster Grandparent Program

Condition: Quarterly Federal Financial Reports for the Foster Grandparent Program are not being reviewed or approved before submission.

Criteria: On a quarterly basis, the Organization must submit a Federal Financial Report for reimbursement of quarterly expenses.

Questioned Costs: None were noted.

Context: Two Quarterly Federal Financial Reports selected for testing were not being reviewed or approved before submission, or two of four Quarterly Federal Financial Reports during the 2020 fiscal year.

The sample size was determined based upon guidelines provided by the AICPA which was not a statistically valid sample.

Effect: Failure to report financial information accurately and timely could result in improper reimbursement.

Recommendations: We recommend that Organization implement controls to ensure Quarterly Financial Reports are being reviewed and approved before submission.

Views of Responsible Officials/Corrective Action Plan (Unaudited): Policy # 5600 added a grant drawdown approval form (5600.1F.). The form must be filled out and signed by accounting and sent for signature to the designated Project Coordinator along with a copy of the tracking form and detailed general ledger of expense. Grant funds will not be drawn down until this is completed. Accountants were trained on this form at our monthly grant meeting, and the project coordinators were notified.

CATHOLIC CHARITIES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020

SECTION IV - SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None were reported.

CATHOLIC CHARITIES, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2020

Agency/Program	CFDA#	Award/Contract Number	Passed through to Subrecipients	Federal Expenditures
U.S. Department of Agriculture:				
Pass-through Kansas State Board of Education				
Child and Adult Care Food Program	10.558		\$ --	\$ 76,674
U.S. Department of Housing and Urban Development:				
Pass-through City of Wichita				
Community Development Block Grant/Entitlement Grant (1)	14.218	B-19-MC-20-0004	--	95,336
COVID-19 Community Development Block Grant/Entitlement Grant (1)	14.218	B-19-MC-20-0004	--	2,698
Emergency Solutions Grant Program	14.231	E18-MC-20-0004	--	41,009
Pass-through Kansas Housing Resources Corporation				
Emergency Solutions Grant Program	14.231	ESG-FFY2019	--	125,362
Continuum of Care Rapid Rehousing Program	14.267	KS0103L7P021702/ KS0103L7P021803	--	136,713
Total U.S. Department of Housing and Urban Development			--	401,118
U.S. Department of Justice:				
Pass-through State of Kansas - Office of Attorney General				
Crime Victim Assistance	16.575	19-VOCA-44/ 20-VOCA-45	--	373,526
Violence Against Women Formula Grants	16.588	19-VAWA-16/ 20-VAWA-18	--	43,552
Transitional Housing Assistance for Victims of Domestic Violence, Dating Violence, Stalking, or Sexual Assault	16.736	2019-WH-AX-0073	--	53,218
Total. U.S. Department of Justice			--	470,296
U.S. Department of Veterans Affairs:				
VA Supportive Services for Veteran Families Program	64.033	2014-KS-322	--	220,455
U.S. Department of Education:				
Pass-through Kansas Department of Education				
Twenty-First Century Community Learning Centers	84.287	SA2016	71,680	71,680
U.S. Department of Health and Human Services:				
Pass-through Kansas Department of Children and Families				
Temporary Assistance for Needy Families (2)	93.558	EES-2017-DVSA-01/ EES-2020-DVSA-01	--	586,420
Pass-through Kansas Housing Resources Corporation				
Community Services Block Grant	93.569	19 DISC 17B	--	1,568
Pass-through State of Kansas - Office of the Governor				
Family Violence Prevention and Services Fund	93.671	20-FVPSA-16	--	70,706
Total U.S. Department of Health and Human Services			--	658,694
Corporation for National and Community Service:				
Foster Grandparent Program (3)	94.011	18SFWKS002	--	441,983
Federal Emergency Management Agency:				
Pass-through United Way of the Plains				
Emergency Food & Shelter National Board Program	97.024	Phase 36	--	23,819
Total Expenditures of Federal Awards			\$ 71,680	\$ 2,364,719

(1) HUD CDBG – Entitlement Grants Cluster (\$98,034)

(2) HHS – 447 Cluster (\$586,420)

(3) CNS – Foster Grandparent/ Senior Companion Cluster (\$441,983)

The accompanying notes are an integral part of this schedule.

CATHOLIC CHARITIES, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2020

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of the Organization and is presented on the accrual basis of accounting. 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organization has an approved indirect cost rate of 34.13%, effective from July 1, 2019 to June 30, 2021, applicable to all programs.