CATHOLIC CHARITIES OF CENTRAL AND NORTHERN MISSOURI

FINANCIAL STATEMENTS

June 30, 2019 and 2018

CATHOLIC CHARITIES OF CENTRAL AND NORTHERN MISSOURI

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	3
FINANCIAL STATEMENTS	
Statements of Financial Position	5
Statements of Activities	6
Statement of Functional Expenses	8
Statements of Cash Flows	9
Notes to Financial Statements	10
SUPPLEMENTARY INFORMATION	
Independent Auditors' 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*	19
Schedule of Findings and Responses	21

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Independent Auditors' Report

Board of Directors
Catholic Charities of Central and Northern Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of Catholic Charities of Central and Northern Missouri (a Missouri corporation, not-for-profit), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements. We have also audited the statement of functional expenses for the year ended June 30, 2019.

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.

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 audits 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 Central and Northern Missouri as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2019, on our consideration of Catholic Charities of Central and Northern Missouri'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 Central and Northern Missouri'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 Central and Northern Missouri's internal control over financial reporting and compliance.

Kerber Eck & Braeckel LLP

St. Louis, Missouri
December 23, 2019

CATHOLIC CHARITIES OF CENTRAL AND NORTHERN MISSOURI

STATEMENTS OF FINANCIAL POSITION
June 30,

	2019	2018
Assets		
Cash and cash equivalents	$ 513,945	$ 376,778
Accounts receivable	49,064	53,941
Promised contributions receivable	114,739	74,634
Investments		
Depositor's fund with the Catholic Diocese of Jefferson City Fund	846,239	775,104
Inventories	2,863	2,768
Property and equipment, net	95,998	136,411
Total assets	$ 1,622,848	$ 1,419,636
Liabilities		
Accounts payable	$ 39,685	$ 4,470
Accrued liabilities		
Payroll and employee benefits	31,234	28,204
Compensated absences	25,215	22,279
Funds held in custody for others	-	766
Total liabilities	96,134	55,719
Net Assets		
Without donor restrictions		
Undesignated	559,307	561,882
Designated for property and equipment	95,998	136,411
Designated for Shikles project	198,700	-
Designated for operating reserve	311,682	252,012
Total net assets without donor restrictions	1,165,687	950,305
With donor restrictions	361,027	413,612
Total net assets	1,526,714	1,363,917
Total liabilities and net assets	$ 1,622,848	$ 1,419,636

See notes to financial statements.

CATHOLIC CHARITIES OF CENTRAL AND NORTHERN MISSOURI

STATEMENT OF ACTIVITIES
Year ended June 30, 2019

	Without donor restrictions	With donor restrictions	Total
Support and revenues			
Contributions, including in-kind of $63,189	$ 300,816	$ 603,663	$ 904,479
Grants	-	743,218	743,218
Program fees	72,506	-	72,506
Interest income	23,663	-	23,663
Other	2,114	-	2,114
Net assets released from restriction	1,399,466	(1,399,466)	-
Total support and revenues	1,798,565	(52,585)	1,745,980
Expenses			
Program services			
Disaster relief	328,275	-	328,275
Refugee and immigration	837,402	-	837,402
Parish social ministry	66,623	-	66,623
Total program services	1,232,300	-	1,232,300
Management and general	307,524	-	307,524
Fundraising	43,359	-	43,359
Total expenses	1,583,183	-	1,583,183
Increase (decrease) in net assets	215,382	(52,585)	162,797
Net assets at July 1, 2018	950,305	413,612	1,363,917
Net assets at June 30, 2019	$ 1,165,687	$ 361,027	$ 1,526,714

See notes to financial statements.

CATHOLIC CHARITIES OF CENTRAL AND NORTHERN MISSOURI

STATEMENT OF ACTIVITIES
Year ended June 30, 2018

	Without donor restrictions	With donor restrictions	Total
Support and revenues			
Contributions, including in-kind of $47,466	$ 548,650	$ 345,450	$ 894,100
Grants	-	656,131	656,131
Program fees	75,870	-	75,870
Interest income	12,354	-	12,354
Other	702	-	702
Gain on sale of asset	453	-	453
Net assets released from restriction	999,274	(999,274)	-
Total support and revenues	1,637,303	2,307	1,639,610
Expenses			
Program services	1,086,600	-	1,086,600
Management and general	262,848	-	262,848
Fundraising	118,212	-	118,212
Total expenses	1,467,660	-	1,467,660
Increase in net assets	169,643	2,307	171,950
Net assets at July 1, 2017	780,662	411,305	1,191,967
Net assets at June 30, 2018	$ 950,305	$ 413,612	$ 1,363,917

See notes to financial statements.

CATHOLIC CHARITIES OF CENTRAL AND NORTHERN MISSOURI

STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2019

	Program services						
	Disaster relief	Refugee and immigration	Parish social ministry	Total	Management and general	Fundraising	Total
Salaries and wages	$ 132,127	$ 396,390	$ 19,264	$ 547,781	$ 95,033	$ 22,142	$ 664,956
Employee benefits and payroll taxes	32,764	83,041	1,503	117,308	30,083	3,189	150,580
Assistance to entities	15,250	-	33,582	48,832	319	-	49,151
Assistance to individuals	82,586	283,411	57	366,054	-	-	366,054
Dues and subscriptions	390	100	-	490	2,969	-	3,459
Events and workshops	-	84	-	84	555	-	639
Conferences and training	16,805	1,936	970	19,711	11,078	38	30,827
Depreciation expense	-	-	-	-	40,412	-	40,412
Equipment rental	793	-	-	793	933	40	1,766
Miscellaneous expense	2,108	581	27	2,716	2,655	2,238	7,609
Occupancy	11,107	38,274	737	50,118	34,956	658	85,732
Office supplies	1,941	9,017	3,446	14,404	10,077	25	24,506
Postage and printing	145	4,499	482	5,126	971	10,372	16,469
Professional services	14,937	903	4,753	20,593	76,713	4,602	101,908
Provided services	5,405	10,248	-	15,653	-	-	15,653
Repairs and maintenance	501	1,887	-	2,388	373	-	2,761
Travel	11,416	7,031	1,802	20,249	397	55	20,701
Total expenses	$ 328,275	$ 837,402	$ 66,623	$ 1,232,300	$ 307,524	$ 43,359	$ 1,583,183

See notes to financial statements.

CATHOLIC CHARITIES OF CENTRAL AND NORTHERN MISSOURI

STATEMENTS OF CASH FLOWS
Years ended June 30,

	2019	2018
Cash flows from operating activities		
Change in net assets	$ 162,797	$ 171,950
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	40,412	35,367
Gain on disposal of assets	-	(453)
(Increase) decrease in assets		
Accounts receivable	4,877	164,280
Promised contributions receivable	(40,105)	(5,754)
Inventories	(95)	(2,768)
Prepaid expenses	-	165
Increase (decrease) in liabilities		
Accounts payable	35,216	(4,901)
Accrued payroll and employee benefits	3,030	(1,728)
Compensated absences	2,936	(7,910)
Funds held in custody for others	(766)	(2,092)
Net cash provided by operating activities	208,302	346,156
Cash flows from investing activities		
Purchase of investments	(71,135)	(1,002,213)
Sale of investments	-	811,012
Purchase of property and equipment	-	(70,763)
Net cash used in investing activities	(71,135)	(261,964)
Net increase in cash and cash equivalents	137,167	84,192
Cash and cash equivalents at beginning of year	376,778	292,586
Cash and cash equivalents at end of year	$ 513,945	$ 376,778

See notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Information

Catholic Charities of Central and Northern Missouri (Catholic Charities) is a not-for-profit corporation established May 5, 2011 to provide a range of programs and services to those in need in the 38 central and northern Missouri county service area regardless of faith, culture, or situation. Catholic Charities assists the most basic and immediate needs of the poor and vulnerable by providing them help and resources needed for long-term change. Catholic Charities focuses on those areas of greatest need and avoids duplication of services wherever possible.

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash balances held in bank accounts and short-term investments with an original maturity no longer than three months. Deposit accounts designated for long-term purposes or received with donor-imposed restrictions limiting the use to long-term purposes are not considered cash and cash equivalents.

Catholic Charities also maintains some deposits with The Catholic Diocese of Jefferson City Fund (DJC Fund). However, Catholic Charities does not consider funds on deposit with the DJC Fund to be cash equivalents and accounts for them like other investments.

Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. Catholic Charities provides for losses on accounts receivable using the allowance method. The allowance is based on experience and other circumstances. It is Catholic Charities' policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. As of June 30, 2019 and 2018, accounts receivable have been determined to be fully collectible.

Promised Contributions Receivable

Unconditional promises to give are recognized as revenues or gains in the period received, less the allowance for uncollectible amounts. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. As of June 30, 2019 and 2018, promised contributions receivable have been determined to be fully collectible.

Investments

Investments are reported at fair value. Fair value is 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 and in the principal or most advantageous market for the asset or liability.

Fair value of the underlying investments is determined using Level 1 inputs for equity funds, which are quoted market prices for identical securities in active markets; and Level 2 inputs for cash and cash equivalents and fixed income securities, which are quoted prices for similar securities in active markets. Level 2 inputs are derived using the market approach, which is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (that is similar) assets, liabilities, or a group of assets and liabilities, such as a business.

Property and Equipment

Property and equipment are stated at cost if purchased or at fair value as of the date received, if contributed. Significant additions over $1,000 are capitalized as a part of property and equipment; maintenance and repairs are charged to expenses. Depreciation is provided for in amounts sufficient to relate to cost of depreciable assets to operations over their estimated service lives on a straight-line basis as follows:

Leasehold improvements	15 years
Equipment and furnishings	5 years
Vehicles	5 years

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-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 Board of Directors has designated, from net assets without donor restrictions, net assets for an operating reserve and to support various Catholic Charities projects.

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 satisfied by actions of Catholic Charities or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates 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.

Donated Services and In-Kind Contributions

No amounts have been reflected in the financial statements for donated services. Catholic Charities pays for most services requiring specific expertise. However, individuals volunteer their time and perform a variety of tasks that assist Catholic Charities with specific programs, fund raising activities, and various committee assignments.

Catholic Charities also receives contributions of vehicles, furniture, and other household items and recognizes support and revenue based on the contributions estimated fair value. Absent any explicit restrictions by the donor, Catholic Charities reports the contribution of property and equipment as support and revenue without donor restrictions.

Program Fees

Program fees are recognized when earned. Program fees received in advance are deferred to the applicable period in which the related services are performed.

Functional Allocation of Expenses

The costs of providing various programs and activities have been summarized on a functional basis in the Statements of Activities. The Statement of Functional Expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited as described in Note 10.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Income Taxes

Catholic Charities qualifies as a charitable organization as defined by Internal Revenue Code Section 501(c)(3) and accordingly it is exempt from Federal income taxes under Internal Revenue Code Section 501(a) and similar provisions of state law. Income from certain activities not directly related to Catholic Charities' exempt purpose is subject to taxation as unrelated business income. Catholic Charities had no unrelated business income for the years ended June 30, 2019 and 2018.

Catholic Charities files an IRS Form 990 *Return of Organization Exempt from Income Tax.* Returns are generally subject to examination by the IRS for three years after they are filed.

Recent Accounting Pronouncements

In 2019, Catholic Charities implemented the requirements of the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities.* All applicable requirements of ASU 2016-14 have been applied retrospectively to all periods presented with the exception of the Statement of Functional Expenses. As allowed by ASU 2016-14, Catholic Charities has elected not to include the Statement of Functional Expenses for the year ended June 30, 2018 in these financial statements. ASU 2016-14 requires certain changes to the presentation of financial statements of not-for-profit entities and additional new disclosures. A key change required by ASU 2016-14 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions.

Subsequent Events

In preparing these financial statements, Catholic Charities has evaluated events and transactions for potential recognition or disclosure through December 23, 2019, the date the financial statements were available to be issued.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following represents financial assets as of the financial position date, reduced by amounts not available for general use within one year of the financial position date because of contractual or donor-imposed restrictions or internal designations. Amounts not available include amounts set aside for operating and other reserves that could be drawn upon if the Board of Directors approves the actions.

	June 30, 2019	June 30, 2018
Cash and cash equivalents	$ 513,945	$ 376,778
Accounts receivable	49,064	53,941
Promised contributions receivable	114,739	74,634
Investments	846,239	775,104
Total financial assets	1,523,987	1,280,457
Contractual or donor-imposed restrictions		
Restricted by donor for time or purpose	(361,027)	(413,612)
Board designated for Shikles project	(198,700)	-
Board designated for operating reserve	(311,682)	(252,012)
Financial assets available to meet cash needs for general expenditures within one year	$ 652,578	$ 614,833

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30,:

	2019	2018
Leasehold improvements	$ 7,839	$ 7,839
Equipment and furnishings	32,534	32,535
Vehicles	181,349	181,349
	221,722	221,723
Less accumulated depreciation	(125,724)	(85,312)
	$ 95,998	$ 136,411

NOTE 4 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods at June 30,:

	2019	2018
Subject to expenditure for specified purpose:		
Prison Ministry	$ 9,003	$ 28,176
Refugee and Immigration	18,860	41,108
Disaster Relief	105,873	36,670
Missouri Stop Human Trafficking Conference	8,829	19,975
Operation Rice Bowl	7,077	1,918
Parish Nurse	32,891	33,614
Subject to the passage of time		
Spring Appeal	103,494	192,151
Promises to give not restricted by donors, but which are unavailable until due	75,000	60,000
	$ 361,027	$ 413,612

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30,:

	2019	2018
Satisfaction of purpose restrictions		
Prison Ministry	$ 24,249	$ 196
Refugee and Immigration	753,619	748,122
Disaster Relief	270,327	48,560
Missouri Stop Human Trafficking Conference	11,146	1,116
Operation Rice Bowl	-	800
Parish Nurse	12,974	6,764
	1,072,315	805,558
Expiration of time restrictions	327,151	193,716
	$ 1,399,466	$ 999,274

NOTE 5 - RETIREMENT PLAN

Catholic Charities' employees participate in two non-ERISA 403(b) plans sponsored by the Diocese of Jefferson City, one for lay employees and the other for Diocesan priests. Contributions on behalf of eligible Catholic Charities employees totaled $12,785 and $31,383 for the years ended June 30, 2019 and 2018, respectively.

NOTE 6 - RELATED PARTIES

Catholic Charities is related through the Bishop of the Diocese of Jefferson City to the following entities: The Catholic Diocese of Jefferson City – Chancery Office; The Catholic Diocese of Jefferson City Fund; Diocesan Excellence in Education Fund, Inc.; The Diocese of Jefferson City Parish Development Corporation; Priests' Mutual Benefit Society; Fr. Augustine Tolton Regional Catholic High School in Columbia; Helias Catholic High School in Jefferson City; The Jefferson City Diocesan Chancery Building Fund, Inc.; The Diocese of Jefferson City Jubilee Retirement Trust Fund; Diocese of Jefferson City Real Estate Corporation; and all parishes within the Jefferson City Diocese. Catholic Charities maintains separate books and records. All financial information for the above entities is presented separately and is excluded from this report.

The Catholic Diocese of Jefferson City Fund holds investments in the deposit and loan program for Catholic Charities of $846,239 and $775,104 as of June 30, 2019 and 2018, respectively. During the year ended June 30, 2019 and 2018, The Catholic Diocese of Jefferson City Fund paid $21,136 and $6,836, respectively, in interest income to Catholic Charities for these investments.

Catholic Charities received contributions from the Catholic Diocese of Jefferson City in the amount of $200,000 and $267,546 for the years ended June 30, 2019 and 2018, respectively. As of June 30, 2019 and 2018, Catholic Charities owed the Diocese $183 and $155, respectively.

NOTE 7 - CONCENTRATION OF CREDIT RISK

Catholic Charities places its cash and cash equivalents with credit-worthy high quality financial institutions. Account balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. From time to time, cash balances may exceed Federal insurance limits. Catholic Charities has not experienced any losses in its accounts with these financial institutions and believes it is not exposed to any significant risks.

Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risk in the near term would materially affect the amounts reported in the financial statements.

NOTE 8 - INVESTMENTS

Catholic Charities deposits funds in excess of three months of operating needs in interest bearing accounts, including accounts on deposit with The Catholic Diocese of Jefferson City Fund. The Depositor's fund program operates similar to a money market account and pays interest on the deposited funds competitive with current market rates. The interest rate on deposits at June 30, 2019 and 2018 was 1.5% to 3.5% depending on the term of the deposit.

The fair values of investments at June 30, 2019 are as follows:

	Fair value	Level 1	Level 2	Level 3
Depositor's Fund	$ 846,239	$ -	$ 846,239	$ -

The fair values of investments at June 30, 2018 are as follows:

	Fair value	Level 1	Level 2	Level 3
Depositor's Fund	$ 775,104	$ -	$ 775,104	$ -

NOTE 9 - OPERATING LEASE

Catholic Charities conducts a portion of their operations in space leased under a three-year non-cancelable operating lease expiring on May 31, 2022. Catholic Charities will make minimum rental payments under this operating lease as follows:

Year ended June 30,	
2020	$ 74,400
2021	74,400
2022	68,200
	$ 217,000

NOTE 10 – FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting functions. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages and payroll taxes and employee benefits which are allocated based on estimated time and effort and occupancy costs which are allocated based on estimated usage.

NOTE 11 – CONDITIONAL PROMISES TO GIVE

Catholic Charities received a written promise to give from the St. Mary's Foundation of $200,000 conditioned upon purchasing the Shikles building. This contribution will be recognized as revenue when the respective condition is met in a future period.

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Independent Auditors' 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 of Central and Northern Missouri

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 Central and Northern Missouri (a Missouri corporation, not-for-profit), which comprise the statement of financial position as of June 30, 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 23, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Catholic Charities of Central and Northern Missouri'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 Catholic Charities of Central and Northern Missouri's internal control. Accordingly, we do not express an opinion on the effectiveness of the Catholic Charities of Central and Northern Missouri'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2019-001, 2019-002 and 2019-003 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Catholic Charities of Central and Northern Missouri's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Catholic Charities of Central and Northern Missouri's Response to Findings

Catholic Charities of Central and Northern Missouri's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Catholic Charities of Central and Northern Missouri's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Kerber Eck & Braeckel LLP

St. Louis, Missouri
December 23, 2019

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2019-001

Condition:

Donations of clothing, furniture and other household items received by Catholic Charities were not recognized as support and revenue in the financial statements. Additionally, documentation supporting the value of donated materials contained mathematical errors.

Criteria:

Generally accepted accounting principles require that donations of materials be recognized as support and revenue in the year received.

Cause:

Catholic Charities does not have a process for reporting donated materials as support and revenue in the financial statements.

Effect:

An audit adjustment to the financial statements was necessary to properly reflect the value of donated materials.

Recommendation:

We recommend that Catholic Charities value donated materials upon receipt and ensure they are properly reflected in the financial statements. We also recommend donated materials stored in the warehouse be periodically inventoried, including a year-end inventory. We further recommend that documentation supporting donated materials be reviewed for mathematical accuracy.

Management's Response:

Catholic Charities will value donated materials upon receipt using accepted values as published by the Salvation Army and Goodwill Industries. Donated materials will be periodically inventoried and inventory values will be reported to the accounting firm for inclusion in the financial statements. All documentation supporting donated materials will be reviewed for mathematical accuracy.

Dan Lester, Executive Director

Finding 2019-002

Condition:

Catholic Charities procedures over receipts, disbursements and payroll processing did not provide for an effective segregation of duties.

Criteria:

Internal controls are designed to safeguard assets and prevent or detect losses from employee dishonesty or error. A fundamental concept in a good system of internal control is segregation of duties.

Cause:

Catholic Charities is a small organization with limited staff therefore adherence to the concept of segregation of duties is difficult.

Effect:

Catholic Charities assets may not be adequately safeguarded against loss from employee dishonesty or error.

Recommendation:

Although limited staffing prohibits complete adherence to the concept of segregation of duties, we believe that the following practices could be implemented to improve existing internal control without impairing efficiency:

- Mail should be opened by an employee who has no other recordkeeping responsibilities, such as a receptionist. Receipts should be logged and deposited by this person. The receipts log, supplemented by remittance advices, should then be forwarded to the administrative assistant for posting to the general ledger.
- Bank statements, canceled checks, and appropriate advices should be received by the Executive Director unopened and reviewed prior to turning them over for reconciliation.
- Payroll registers should be reviewed by the Executive Director.

The bank statements and payroll registers should be signed by the Executive Director as evidence of review. Unusual items noted during the review should be investigated promptly.

Management's Response:

Mail will be opened by the Program Assistant, who has no other recordkeeping responsibilities. Receipts will be logged and deposited by the Program Assistant. The receipts log, supplemented by the remittance advices, will then be forwarded to the Office Manager for posting to the general ledger.

Bank statements, canceled checks, and appropriate advices will be received by the Executive Director unopened and reviewed by the Executive Director prior to turning them over for reconciliation.

Payroll registers will be reviewed by the Executive Director.

Bank statements and payroll registers will be signed by the Executive Director as evidence of review. Unusual items noted during review will be investigated promptly.

Dan Lester, Executive Director

Finding 2019-003

Condition:

Contributions are recorded in both the donor software and general ledger. Contributions recorded in the donor software are not reconciled to contributions recorded in the general ledger in advance of the annual audit.

Criteria:

Contributions recorded in the donor software should be reconciled to contributions recorded in the general ledger to ensure the accuracy and completeness of both records.

Cause:

Reconciliations of contributions between the donor database and general ledger are not currently part of the monthly closing process.

Effect:

An audit adjustment to the financial statements was necessary to properly reflect contributions reported in the donor software that were not reported in the general ledger.

Recommendation:

We recommend contributions recorded in the donor software be reconciled to contributions recorded in the general ledger to ensure the accuracy and completeness of both records.

Management's Response:

Contributions recorded in the donor software will be reconciled to contributions recorded in the general ledger to ensure the accuracy and completeness of both records.

Dan Lester, Executive Director