

**CATHOLIC CHARITIES OF CENTRAL AND NORTHERN MISSOURI  
JEFFERSON CITY, MISSOURI**

**FINANCIAL STATEMENTS**

**June 30, 2017 and 2016**

**CATHOLIC CHARITIES OF CENTRAL AND NORTHERN MISSOURI  
JEFFERSON CITY, MISSOURI**

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## **Independent Auditors' Report**

Board of Directors  
Catholic Charities of Central and Northern Missouri  
Jefferson City, 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, 2017 and 2016, and the related statements of activities 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.

### **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, 2017 and 2016, 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.

### **Correction of Error**

As discussed in Note 11 to the financial statements, certain errors resulting in understatement of amounts previously reported for revenues and expenses as of June 30, 2016, were discovered by management of Catholic Charities of Central and Northern Missouri during the current year. Accordingly, amounts reported for revenues and expenses have been restated in the 2016 financial statements now presented to correct the error as of June 30, 2016. This restatement had no effect on net assets. Our opinion is not modified with respect to that matter.

### **Other Matters**

#### *Other 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 (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2017, 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 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.

*Kubler, Ed & Braeckel LLP*

St. Louis, Missouri  
December 6, 2017

**CATHOLIC CHARITIES OF CENTRAL AND NORTHERN MISSOURI  
JEFFERSON CITY, MISSOURI**

**STATEMENTS OF FINANCIAL POSITION**

**June 30,**

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 292,586	\$ 270,611
Accounts receivable	218,221	115,097
Promised contributions receivable	68,880	69,771
Investments		
Depositor's fund with the Catholic Diocese of Jefferson City Fund	583,903	404,678
Prepaid expenses	165	5,649
Property and equipment, net	<u>100,562</u>	<u>74,398</u>
Total assets	<u>\$ 1,264,317</u>	<u>\$ 940,204</u>
<b>Liabilities</b>		
Accounts payable	\$ 9,371	\$ 4,610
Accrued liabilities		
Payroll and employee benefits	29,932	27,397
Compensated absences	30,189	29,580
Funds held in custody for others	<u>2,858</u>	<u>1,050</u>
Total liabilities	72,350	62,637
<b>Net Assets</b>		
Unrestricted		
Undesignated	490,100	363,546
Designated for property and equipment	100,562	74,398
Designated for operating reserve	190,000	130,000
Designated for other purposes	-	6,781
Total unrestricted net assets	<u>780,662</u>	<u>574,725</u>
Temporarily restricted	<u>411,305</u>	<u>302,842</u>
Total net assets	<u>1,191,967</u>	<u>877,567</u>
Total liabilities and net assets	<u>\$ 1,264,317</u>	<u>\$ 940,204</u>

See notes to financial statements.

**CATHOLIC CHARITIES OF CENTRAL AND NORTHERN MISSOURI  
JEFFERSON CITY, MISSOURI**

**STATEMENTS OF ACTIVITIES**  
**Year ended June 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
<b>Support and revenues</b>			
Contributions, including in-kind of \$172,386	\$ 605,780	\$ 382,003	\$ 987,783
Grants	-	1,036,580	1,036,580
Program fees	72,619	-	72,619
Interest income	6,534	-	6,534
Other	208	-	208
Loss on disposal of asset	(5,391)	-	(5,391)
Net assets released from restriction	1,310,120	(1,310,120)	-
Total support and revenues	<u>1,989,870</u>	<u>108,463</u>	<u>2,098,333</u>
<b>Expenses</b>			
Salary and wages	631,765	-	631,765
Benefits and taxes	163,627	-	163,627
Total personnel expenses	<u>795,392</u>	<u>-</u>	<u>795,392</u>
Direct assistance to			
Individuals	577,658	-	577,658
Entities	60,004	-	60,004
Provided services	44,662	-	44,662
Events and workshops	6,684	-	6,684
Supplies	24,118	-	24,118
Equipment, repairs and maintenance	49,643	-	49,643
Printing and postage	32,904	-	32,904
Travel	31,408	-	31,408
Conferences and training	18,028	-	18,028
Occupancy charges	71,472	-	71,472
Depreciation	17,499	-	17,499
Other	54,461	-	54,461
Total expenses	<u>1,783,933</u>	<u>-</u>	<u>1,783,933</u>
 Increase in net assets	 205,937	 108,463	 314,400
 Net assets at July 1, 2016	 <u>574,725</u>	 <u>302,842</u>	 <u>877,567</u>
 Net assets at June 30, 2017	 <u>\$ 780,662</u>	 <u>\$ 411,305</u>	 <u>\$ 1,191,967</u>

See notes to financial statements.

**CATHOLIC CHARITIES OF CENTRAL AND NORTHERN MISSOURI  
JEFFERSON CITY, MISSOURI**

**STATEMENTS OF ACTIVITIES**  
**Year ended June 30, 2016**

	Unrestricted (Restated)	Temporarily Restricted	Total
Support and revenues			
Contributions, including in-kind of \$114,595	\$ 656,318	\$ 278,369	\$ 934,687
Grants	-	830,339	830,339
Program fees	82,930	-	82,930
Interest income	4,651	-	4,651
Other	1,223	-	1,223
Gain on sale of asset	2,139	-	2,139
Net assets released from restriction	1,067,198	(1,067,198)	-
Total support and revenues	<u>1,814,459</u>	<u>41,510</u>	<u>1,855,969</u>
Expenses			
Salary and wages	588,272	-	588,272
Benefits and taxes	151,634	-	151,634
Total personnel expenses	<u>739,906</u>	<u>-</u>	<u>739,906</u>
Direct assistance to			
Individuals	439,524	-	439,524
Entities	54,519	-	54,519
Provided services	30,112	-	30,112
Events and workshops	3,923	-	3,923
Supplies	21,171	-	21,171
Equipment, repairs and maintenance	20,799	-	20,799
Printing and postage	30,516	-	30,516
Travel	26,038	-	26,038
Conferences and training	16,013	-	16,013
Occupancy charges	60,950	-	60,950
Depreciation	21,190	-	21,190
Other	31,118	-	31,118
Total expenses	<u>1,495,779</u>	<u>-</u>	<u>1,495,779</u>
Increase in net assets	318,680	41,510	360,190
Net assets at July 1, 2015	<u>256,045</u>	<u>261,332</u>	<u>517,377</u>
Net assets at June 30, 2016	<u>\$ 574,725</u>	<u>\$ 302,842</u>	<u>\$ 877,567</u>

See notes to financial statements.

**CATHOLIC CHARITIES OF CENTRAL AND NORTHERN MISSOURI  
JEFFERSON CITY, MISSOURI**

**STATEMENTS OF CASH FLOWS**  
**Years ended June 30,**

	2017	2016
Cash flows from operating activities		
Change in net assets	\$ 314,400	\$ 360,190
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	17,499	21,190
Loss on disposal of assets	5,391	-
(Increase) decrease in assets		
Accounts receivable	(103,124)	(13,163)
Promised contributions receivable	891	(62,621)
Prepaid expenses	5,484	143
Increase (decrease) in liabilities		
Accounts payable	4,761	(6,770)
Compensated absences	609	4,135
Accrued payroll and employee benefits	2,535	23,092
Funds held in custody for others	1,808	1,050
	250,254	327,246
Net cash provided by operating activities		
Cash flows from investing activities		
Purchase of investments	(757,981)	(176,590)
Sale of investments	578,756	80,000
Purchase of property and equipment	(49,054)	(55,429)
	(228,279)	(152,019)
Net cash used in investing activities		
Net increase in cash and cash equivalents	21,975	175,227
Cash and cash equivalents at beginning of year	270,611	95,384
Cash and cash equivalents at end of year	\$ 292,586	\$ 270,611

See notes to financial statements.

**CATHOLIC CHARITIES OF CENTRAL AND NORTHERN MISSOURI  
JEFFERSON CITY, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS**

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**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.

**Basis of Accounting**

The books and records are maintained and the financial statements are prepared on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

**Basis of Presentation**

Catholic Charities is required to report information regarding its assets, liabilities, and net assets according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets based upon the existence or absence of donor-imposed restrictions. As of June 30, 2017 and 2016, Catholic Charities had no permanently restricted net assets.

*Unrestricted Net Assets*

Include all non-designated and designated resources available for support of operations.

*Temporarily Restricted Net Assets*

Include all resources whose use is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled by actions of Catholic Charities pursuant to those stipulations.

*Permanently Restricted Net Assets*

Resources whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of Catholic Charities.

**CATHOLIC CHARITIES OF CENTRAL AND NORTHERN MISSOURI  
JEFFERSON CITY, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS**

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**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.

**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.

**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, 2017 and 2016.

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.

**Investments**

Catholic Charities investments are managed with investments of affiliates in the DJC Fund. Pooled investment fund interest and dividends, realized gains and losses, unrealized gains and losses and management fees are allocated based on the proportionate share of each entity's fair value at the time of allocation. The financial statements of each entity reflect only that entity's share of the pooled fund.

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.

**CATHOLIC CHARITIES OF CENTRAL AND NORTHERN MISSOURI  
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**NOTES TO FINANCIAL STATEMENTS**

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Fair value of the underlying investments in the DJC Fund was 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 were 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. The fair value was derived from investment broker statements as of June 30, 2017 and 2016.

**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, 2017 and 2016, 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 and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

**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 operating 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

**Funds Held in Custody for Others**

This amount represents funds paid by employees into a flex-spending account/cafeteria plan, net of payments for qualified expenses. The flex spending account/cafeteria plan operates on a calendar year basis.

**CATHOLIC CHARITIES OF CENTRAL AND NORTHERN MISSOURI  
JEFFERSON CITY, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS**

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**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 unrestricted support and revenue.

**Subsequent Events**

Catholic Charities evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through December 6, 2017 which is the date the financial statements were available to be issued.

**NOTE 2 - COMPENSATED ABSENCES**

In accordance with accounting principles generally accepted in the United States of America, a liability must be recognized for accrued compensated absences if payment relates to past services, the right to payment vests or accumulates, and payment is probable. Catholic Charities' policy for compensated absences meets these criteria.

**CATHOLIC CHARITIES OF CENTRAL AND NORTHERN MISSOURI  
JEFFERSON CITY, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 3 - DETAIL OF SELECTED ACCOUNT BALANCES**

**Accounts Receivable**

Accounts Receivable consists of the following at June 30,:

	<u>2017</u>	<u>2016</u>
The Catholic Diocese of Jefferson City	\$ 33,098	\$ -
Refugee and Immigration Grants from the State of Missouri and the United States Conference of Catholic Bishops	179,867	94,777
Other	<u>5,256</u>	<u>20,320</u>
	<u>\$ 218,221</u>	<u>\$ 115,097</u>

**Promised Contributions Receivable**

Catholic Charities conducts an annual fund raising event during the fiscal year to provide funds for the upcoming fiscal year. The remaining unpaid balance for this event and other promised contributions receivable was \$68,880 and \$69,771 as of June 30, 2017 and 2016, respectively. This amount is considered to be temporarily restricted until July 1, 2017 and 2016, respectively. The full amount is expected to be received within one year.

**Property and Equipment**

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

	<u>2017</u>	<u>2016</u>
Leasehold improvements	\$ 7,839	\$ 7,839
Equipment and furnishings	32,535	3,175
Vehicles	<u>119,118</u>	<u>109,774</u>
	159,492	120,788
Less accumulated depreciation	<u>(58,930)</u>	<u>(56,281)</u>
	100,562	64,507
Software development in progress	<u>-</u>	<u>9,891</u>
	<u>\$ 100,562</u>	<u>\$ 74,398</u>

**CATHOLIC CHARITIES OF CENTRAL AND NORTHERN MISSOURI  
JEFFERSON CITY, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS**

The nature and amount of temporarily restricted net assets at June 30, were as follows:

	<u>2017</u>	<u>2016</u>
Knights of Columbus Prison Ministry Grant	\$ 10,214	\$ 9,172
Prison Ministry Welcome Home Grant	18,159	18,159
Refugee and Immigration	95,625	35,679
Catholic Campaign for Human Development	-	5,582
Disaster Relief Fund	33,591	-
Spring Appeal	193,716	174,250
Time	<u>60,000</u>	<u>60,000</u>
	<u>\$ 411,305</u>	<u>\$ 302,842</u>

**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 \$29,404 and \$28,481 for the years ended June 30, 2017 and 2016, 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; the 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, Inc.; 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.

**CATHOLIC CHARITIES OF CENTRAL AND NORTHERN MISSOURI  
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**NOTES TO FINANCIAL STATEMENTS**

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The Catholic Diocese of Jefferson City Fund holds investments in the deposit and loan program for Catholic Charities of \$583,903 and \$404,678 as of June 30, 2017 and 2016, respectively. During the year ended June 30, 2017 and 2016, The Catholic Diocese of Jefferson City Fund paid \$6,534 and \$4,651, respectively, in interest income to Catholic Charities for these investments.

Catholic Charities receives support from the Catholic Diocese of Jefferson City to help carry out its mission. During the year ended June 30, 2012, the Diocese of Jefferson City – Chancery Office transferred the operations of its Prison Ministries, Family Life Office, Social Concerns and Refugee and Immigration Services programs to Catholic Charities. Upon transfer of these programs, the Diocese committed to covering the cost of any salaries and benefits incurred for personnel transferred to Catholic Charities for up to five years, should the fund raising activities of Catholic Charities prove inadequate. Catholic Charities received contributions from the Catholic Diocese of Jefferson City in the amount of \$246,503 and \$262,835 for the years ended June 30, 2017 and 2016, respectively. As of June 30, 2017, the Catholic Diocese of Jefferson City owed Catholic Charities \$33,098. Catholic Charities was invoiced by the Diocese for expenses paid on its behalf in the amount \$128,915 and \$102,038 for the years ended June 30, 2017 and 2016, respectively. As of June 30, 2017 and 2016, Catholic Charities owed the Diocese \$1,388 and \$158, 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 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, 2017 and 2016 was 1.5%.

**CATHOLIC CHARITIES OF CENTRAL AND NORTHERN MISSOURI  
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**NOTES TO FINANCIAL STATEMENTS**

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The cost and fair values of investments at June 30, 2017 are as follows:

	<u>Cost</u>	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>
Depositor's Fund	<u>\$ 583,903</u>	<u>\$ 583,903</u>	<u>\$ -</u>	<u>\$ 583,903</u>

The cost and fair values of investments at June 30, 2016 are as follows:

	<u>Cost</u>	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>
Depositor's Fund	<u>\$ 404,678</u>	<u>\$ 404,678</u>	<u>\$ -</u>	<u>\$ 404,678</u>

**NOTE 9 - FUNCTIONAL ALLOCATION OF EXPENSES**

Catholic Charities categorizes its expenses as follows:

*Program expenses* relate to activities that result in goods and services being distributed to beneficiaries that fulfill the purposes or mission for which the organization exists. Catholic Charities considers all expenses, excluding management and general and fund-raising expenses to be program expenses.

*Management and general expenses* relate to the administrative activities that are not identifiable with a single program or fund-raising activity but that are indispensable to the conduct of those activities and to Catholic Charities existence.

*Fund-raising expenses* relate to activities that involve inducing potential donors to contribute financially or in-kind to Catholic Charities.

	<u>2017</u>	<u>2016</u>
Program expenses	\$ 1,526,369	\$ 1,270,135
Management and general expenses	171,849	154,798
Fund-raising expenses	<u>85,715</u>	<u>70,846</u>
	<u>\$ 1,783,933</u>	<u>\$ 1,495,779</u>

**CATHOLIC CHARITIES OF CENTRAL AND NORTHERN MISSOURI  
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**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 10 - OPERATING LEASE**

Catholic Charities conducts a portion of their operations in space leased under a five-year non-cancelable operating lease expiring in 2019. Future minimum rental payments due under the lease are as follows:

<u>Year ending June 30,</u>	
2018	\$ 17,760
2019	<u>11,840</u>
	<u>\$ 29,600</u>

**NOTE 11 - CORRECTION OF ERROR**

Catholic Charities determined that contributions of clothing, furniture and other household items received during the year ended June 30, 2016 should have been recognized as unrestricted support and revenue and a related expense in the prior year. As a result, unrestricted support and revenue and direct assistance to individuals expenses were understated by \$114,595. The error had no effect on net assets. Total support and revenue and total expenses have been restated as follows:

	<u>As originally stated</u>	<u>Adjustment</u>	<u>As restated</u>
Total support and revenues	\$ 1,741,374	\$ 114,595	\$ 1,855,969
Total expenses	<u>(1,381,184)</u>	<u>(114,595)</u>	<u>(1,495,779)</u>
Change in net assets	<u>\$ 360,190</u>	<u>\$ -</u>	<u>\$ 360,190</u>

**FEDERAL COMPLIANCE SECTION**



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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  
Jefferson City, 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, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 6, 2017.

**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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2017-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2017-002 to be a significant deficiency.

### **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 questioned costs. 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 & Braedel LLP*

St. Louis, Missouri  
December 6, 2017



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## **Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance**

Board of Directors  
Catholic Charities of Central and Northern Missouri  
Jefferson City, Missouri

### **Report on Compliance for Each Major Federal Program**

We have audited Catholic Charities of Central and Northern Missouri's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Catholic Charities of Central and Northern Missouri's major federal programs for the year ended June 30, 2017. Catholic Charities of Central and Northern Missouri's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Catholic Charities of Central and Northern Missouri'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 Catholic Charities of Central and Northern Missouri'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 Catholic Charities of Central and Northern Missouri's compliance.

## ***Opinion on Each Major Federal Program***

In our opinion, Catholic Charities of Central and Northern Missouri 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, 2017.

## **Report on Internal Control over Compliance**

Management of Catholic Charities of Central and Northern Missouri is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Catholic Charities of Central and Northern Missouri'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 Catholic Charities of Central and Northern Missouri's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

*Kerber, Eck & Braddock LLP*

St. Louis, Missouri  
December 6, 2017

**CATHOLIC CHARITIES OF CENTRAL AND NORTHERN MISSOURI  
JEFFERSON CITY, MISSOURI**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year ended June 30, 2017**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA number	Pass-through entity identifying number	Total Federal expenditures
<b>U.S. Department of Health and Human Services</b>			
Pass-Through awards from State of Missouri			
Refugee and Entrant Assistance State Administered Program	93.566	A	\$ 230,911
Refugee and Entrant Assistance Discretionary grant	93.576	B	28,719
Pass-through awards from United States Conference of Catholic Bishops			
Refugee and Entrant Assistance Voluntary Agency Program	93.567	C	<u>274,539</u>
<b>Total U.S. Department of Health and Human Services</b>			534,169
<b>U.S. Department of State</b>			
Pass-Through Awards from United States Conference of Catholic Bishops			
U.S. Refugee Admissions Program	19.510	D	<u>494,242</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 1,028,411</u>

A C312032005, C316036004

B C312032005, C315168991

C 90RV0070-02, 90RV0070-03

D SPRMCO16CA1003, SPRMC017CA1003

See accompanying notes to schedule of expenditures of federal awards.

**CATHOLIC CHARITIES OF CENTRAL AND NORTHERN MISSOURI  
JEFFERSON CITY, MISSOURI**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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**NOTE A - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Catholic Charities of Central and Northern Missouri under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Catholic Charities of Central and Northern Missouri, it is not intended to and does not present the financial position, changes in net assets or cash flows of Catholic Charities of Central and Northern Missouri.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported under the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE C - INDIRECT COST RATE**

Catholic Charities of Central and Northern Missouri has elected not to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.

**NOTE D - SUBRECIPIENTS**

There have been no awards passed through to subrecipients.

**CATHOLIC CHARITIES OF CENTRAL AND NORTHERN MISSOURI  
JEFFERSON CITY, MISSOURI**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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**A. SUMMARY OF AUDITORS' RESULTS**

*Financial Statements*

Type of auditors' report issued on financial statements: Unmodified

Internal control over financial reporting:

- Material weaknesses identified?  yes  no
- Significant deficiency identified that is not considered to be a material weakness?  yes  none reported
- Noncompliance material to financial statements noted?  yes  none reported

*Federal Awards*

Internal control over major programs:

- Material weaknesses identified?  yes  no
- Significant deficiencies identified that are not considered to be a material weakness?  yes  none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a) of the Uniform Guidance?  yes  no

The programs tested as major programs were:

U.S. Refugee Admissions Program CFDA # 19.510

The threshold for distinguishing between Type A and Type B programs was \$750,000.

Catholic Charities of Central and Northern Missouri did qualify as a low-risk auditee.

**CATHOLIC CHARITIES OF CENTRAL AND NORTHERN MISSOURI  
JEFFERSON CITY, MISSOURI**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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**B. FINDINGS – FINANCIAL STATEMENTS AUDIT**

**Finding 2017-001**

**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:**

Management was not aware that donated materials should be recognized 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. We further recommend that documentation supporting donated materials be reviewed for mathematical accuracy.

**Management's Response:**

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

*Dan Lester, Executive Director*

**CATHOLIC CHARITIES OF CENTRAL AND NORTHERN MISSOURI  
JEFFERSON CITY, MISSOURI**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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**Finding 2017-002**

**Condition:**

Accrued grant receivables were not reconciled to reimbursement requests or other supporting documentation.

**Criteria:**

Generally accepted accounting principles require that grant receivables and revenues be recognized when all eligibility requirements have been met.

**Cause:**

For expenditure driven grants, the accrued grant receivables and revenue are adjusted so that revenue is equal to the related grant expenditures. Once adjusted, the resulting accrued grant receivables are not reconciled to supporting documentation.

**Effect:**

Misstatements of grant receivables and revenue balances could go undetected.

**Recommendation:**

We recommend that accrued grant receivables be reconciled to reimbursement requests or other supporting documentation to verify their accuracy.

**Management's Response:**

*Accrued grant receivables will be reconciled to reimbursement requests or other supporting documentation to verify their accuracy.*

*Dan Lester, Executive Director*

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM  
AUDIT**

There were no findings and questioned costs related to Federal Awards.

**CATHOLIC CHARITIES OF CENTRAL AND NORTHERN MISSOURI  
JEFFERSON CITY, MISSOURI**

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

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**Finding 2016-001**

**Condition:**

Audit procedures detected an unconditional promise to give that was recognized in the incorrect accounting period.

**Recommendation:**

We recommend Catholic Charities closely monitor promises to give to ensure that they are communicated to the Finance Office and are recorded in the correct accounting period.

**Current Status:**

Catholic Charities has closely monitored promises to give and all promises to give during the year ended June 30, 2017 were recorded in the correct period.