

CATHOLIC CHARITIES OF THE EAST BAY

**FINANCIAL STATEMENTS,
SUPPLEMENTAL SCHEDULES,
and
ADDITIONAL INFORMATION**

APRIL 30, 2015

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Certified Public Accountants, LLP

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Catholic Charities of the East Bay

Report on the Financial Statements

We have audited the accompanying financial statements of Catholic Charities of the East Bay (a nonprofit organization), which comprise the Statement of Financial Position as of April 30, 2015, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year 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 audit. We conducted our audit 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 of 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Catholic Charities of the East Bay as of April 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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INDEPENDENT AUDITORS' REPORT

continued

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of Catholic Charities of the East Bay as a whole. The accompanying Schedule of Expenditures of Federal and Non-federal Awards as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying Schedule of Activities for Contracts with Alameda County is also presented for 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.

Summarized Comparative Information

We have previously audited Catholic Charities of the East Bay's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 23, 2014. In our opinion the summarized comparative information presented herein as of and for the year ended April 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2015 on our consideration of Catholic Charities of the East Bay'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 the East Bay's internal control over financial reporting and compliance.

Harrington Group

San Francisco, California
September 25, 2015

CATHOLIC CHARITIES OF THE EAST BAY

STATEMENT OF FINANCIAL POSITION

April 30, 2015

With comparative totals at April 30, 2014

	Unrestricted	Temporarily Restricted	2015	2014
Assets				
Current Assets				
Cash and cash equivalents (Note 2)	\$ 150,894	\$ 118,477	\$ 269,371	\$ 1,125,849
Cash and cash equivalents held for other organizations (Note 6)	813,300		813,300	1,345,607
Total cash and cash equivalents	964,194	118,477	1,082,671	2,471,456
Accounts receivable	577,811		577,811	297,900
Pledges receivable (Note 2)		1,105,156	1,105,156	63,940
Prepaid expenses	106,495		106,495	81,453
Total current assets	1,648,500	1,223,633	2,872,133	2,914,749
Investments (Note 4)	3,875,689	1,371,316	5,247,005	4,924,434
Receivable from charitable trusts (Note 3)		124,340	124,340	121,349
Property and equipment (Note 5)	2,516,118		2,516,118	2,647,757
Total assets	\$ 8,040,307	\$ 2,719,289	\$ 10,759,596	\$ 10,608,289
Liabilities and net assets				
Liabilities				
Accounts payable and accrued expenses	\$ 160,262	\$ -	\$ 160,262	\$ 472,074
Accrued vacation	157,803		157,803	144,592
Funds held for other organizations (Note 6)	813,300		813,300	1,345,607
Funds held in trust for East Bay Refugee Forum	38,128		38,128	42,022
Advances on contracts	42,308		42,308	64,779
Current portion - note payable (Note 7)	33,110		33,110	28,942
Total current liabilities	1,244,911	-	1,244,911	2,098,016
Note payable (Note 7)	1,316,654		1,316,654	1,343,745
Total liabilities	2,561,565	-	2,561,565	3,441,761
Net assets				
Unrestricted				
Operating	2,962,624		2,962,624	2,434,038
Net investment in property	2,516,118		2,516,118	2,647,757
Temporarily restricted (Note 2)		2,719,289	2,719,289	2,084,733
Total net assets	5,478,742	2,719,289	8,198,031	7,166,528
Total liabilities and net assets	\$ 8,040,307	\$ 2,719,289	\$ 10,759,596	\$ 10,608,289

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

CATHOLIC CHARITIES OF THE EAST BAY

STATEMENT OF ACTIVITIES

For the year ended April 30, 2015

With comparative totals for the year ended April 30, 2014

	Unrestricted	Temporarily Restricted	2015	2014
Revenue and support				
Support				
Contributions	\$ 1,521,234	\$ 1,037,242	\$ 2,558,476	\$ 1,379,404
Grants from foundations and other organizations	323,747	715,407	1,039,154	1,092,540
Bequests (Note 2)	340,640		340,640	417,162
Special events	129,662		129,662	125,262
In-kind services (Note 2)	198,049		198,049	135,975
Grants from United Way		10,000	10,000	10,000
Change in value of split-interest agreement (Note 3)	2,990		2,990	(4,705)
Total support	2,516,322	1,762,649	4,278,971	3,155,638
Revenue				
Government contracts	2,394,105		2,394,105	1,852,848
Program fees	661,869		661,869	717,286
Interest and dividends	102,757		102,757	105,725
Gain on investments	343,292		343,292	388,596
Miscellaneous income	138,352		138,352	129,208
Total revenue	3,640,375	-	3,640,375	3,193,663
Net assets released from purpose restrictions	1,128,093	(1,128,093)	-	-
Total revenue and support	7,284,790	634,556	7,919,346	6,349,301
Expenses				
Program services	4,950,289		4,950,289	4,427,759
General and administration	1,205,579		1,205,579	1,080,345
Fundraising	731,975		731,975	724,576
Total expenses	6,887,843	-	6,887,843	6,232,680
Change in net assets before loss on disposal of assets	396,947	634,556	1,031,503	116,621
(Loss) on disposal of assets	-	-	-	(204,891)
Change in net assets	396,947	634,556	1,031,503	(88,270)
Net assets, beginning of year	5,081,795	2,084,733	7,166,528	7,254,798
Net assets, end of year	\$ 5,478,742	\$ 2,719,289	\$ 8,198,031	\$ 7,166,528

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

CATHOLIC CHARITIES OF THE EAST BAY

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended April 30, 2015

With comparative totals for the year ended April 30, 2014

	Program Services	General and Administration		Total Expenses	
		Fundraising	2015	2014	
Salaries	\$ 2,376,669	\$ 645,483	\$ 394,011	\$ 3,416,163	\$ 3,230,052
Employee benefits	336,142	26,662	37,496	400,300	428,983
Payroll taxes	163,653	47,091	27,963	238,707	226,804
Total personnel costs	<u>2,876,464</u>	<u>719,236</u>	<u>459,470</u>	<u>4,055,170</u>	<u>3,885,839</u>
Financial assistance to individuals	683,503			683,503	429,345
Contract services	388,374	161,418	48,478	598,270	680,248
Occupancy expenses	201,002	61,174	29,131	291,307	303,139
Depreciation expense	199,385	60,682	28,896	288,963	123,929
Other	75,472	105,523	26,390	207,385	212,102
In-kind services	198,049			198,049	135,975
Telephone	88,535	31,023	4,239	123,797	102,195
Printing and publications	35,645	10,692	60,604	106,941	65,923
Supplies	51,388	22,798	7,005	81,191	69,084
Travel expense	66,708	5,018	5,193	76,919	77,120
Interest expense	41,770	12,713	6,054	60,537	61,654
Events	17,021	6,804	28,277	52,102	41,878
Training and conferences	11,408	3,883	17,168	32,459	15,740
Postage and shipping	9,215	2,682	10,150	22,047	17,724
Equipment leases	<u>6,350</u>	<u>1,933</u>	<u>920</u>	<u>9,203</u>	<u>10,785</u>
Total 2015 functional expenses	<u>\$ 4,950,289</u>	<u>\$ 1,205,579</u>	<u>\$ 731,975</u>	<u>\$ 6,887,843</u>	
Total 2014 functional expenses	<u>\$ 4,427,759</u>	<u>\$ 1,080,345</u>	<u>\$ 724,576</u>		<u>\$ 6,232,680</u>

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

CATHOLIC CHARITIES OF THE EAST BAY

STATEMENT OF CASH FLOWS

For the year ended April 30, 2015

With comparative totals for the year ended April 30, 2014

	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ 1,031,503	\$ (88,270)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation expenses	288,963	123,929
Loss on disposal of assets	-	204,891
(Gain) on investments	(343,292)	(388,596)
Reinvested interest	(102,345)	(105,084)
Change in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(279,911)	103,001
(Increase) in contributions receivable	(1,041,216)	(15,060)
(Increase) in prepaid expenses	(25,042)	(28,341)
(Increase) decrease in receivable from charitable trusts	(2,991)	4,705
(Decrease) increase in accounts payable	(311,812)	240,709
Increase (decrease) in accrued vacation	13,211	(32,153)
(Decrease) increase in funds held for other organizations	(532,307)	285,758
(Decrease) in funds held in trust for clients	(3,894)	(10)
(Decrease) increase in advances on contracts	(22,471)	40,800
	(1,331,604)	346,279
Cash flows from investing activities:		
Purchase of new investments	(22,203)	(598,526)
Proceeds from sale of investments	145,269	115,207
Purchase of property and equipment	(157,324)	(839,452)
Proceeds from sale of property and equipment	-	275,553
	(34,258)	(1,047,218)
Cash flows from financing activities:		
Proceeds from new notes payable	-	1,400,000
Principal payments on notes payable	(22,923)	(1,218,518)
	(22,923)	181,482
Net (decrease) in cash and cash equivalents	(1,388,785)	(519,457)
Cash and cash equivalents, beginning of year	2,471,456	2,990,913
Cash and cash equivalents, end of year	\$ 1,082,671	\$ 2,471,456
Supplemental disclosure:		
Operating activities reflect interest paid of:	\$ 60,537	\$ 61,654

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

CATHOLIC CHARITIES OF THE EAST BAY

NOTES TO FINANCIAL STATEMENTS

1. **Organization**

Catholic Charities of the Diocese of Oakland, Inc. dba Catholic Charities of the East Bay (“Catholic Charities”) is a not-for-profit corporation, the Board members of which are elected subject to the approval of the Roman Catholic Bishop of the Diocese of Oakland. Catholic Charities provides social services and advocacy to low income and disadvantaged individuals in Alameda and Contra Costa Counties. The mission is “Rooted in compassion and human dignity for all, Catholic Charities of the East Bay works with youth, children, and families to promote self-sufficiency, strengthen families and pursue safety and justice.” Services are provided to anyone in need, regardless of religious affiliation, race, ethnicity, or sexual orientation. Sources of revenue are from individual donations, foundation grants, government contracts, and fees from fiscal sponsorship and fees-based services.

2. **Summary of Significant Accounting Policies**

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

Accounting

In accordance with accounting principles of net asset accounting, Catholic Charities reports information regarding its financial position and activities according to the existence and nature of donor restrictions in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Accounting principles allow Catholic Charities to treat as unrestricted any restricted revenue where the restrictions are met in the same year. Catholic Charities has elected to follow that reporting method. As a result, all activities in which restrictions are met in the same year are recorded in the unrestricted net asset class.

The following are descriptions of Catholic Charities’ net asset classifications:

Unrestricted

Operating net assets: Operating net assets include unrestricted resources that are available for the general support of Catholic Charities’ operations.

Board designated: Catholic Charities’ Board of Directors has set aside unrestricted resources designated for stabilization of program operations and optimal utilization of Catholic Charities’ unrestricted net assets towards achieving its mission and strategic objectives.

CATHOLIC CHARITIES OF THE EAST BAY

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Net investment in property and equipment: Net resources invested in land, buildings, improvements, equipment, furniture, and software.

Temporarily Restricted. Temporarily restricted net assets result from contributions subject to donors' restrictions that expire with the passage of time or by actions of Catholic Charities. When donor restrictions from prior years expire, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Temporarily restricted net assets consist of the following:

Time restricted:	
Charitable remainder trusts	\$ 124,340
Time and purpose restricted:	
Cassidy assistance fund for seniors	138,711
Purpose restricted:	
Care for the Elderly (bequest funds)	1,246,133
Capital campaign	1,014,846
Immigration and Refugee Resettlement	66,567
Youth: Restorative Justice and Violence	46,232
Family Literacy Program	36,432
Housing counseling	33,809
Financial assistance	<u>12,219</u>
	<u>\$2,719,289</u>

For the fiscal year ended April 30, 2015, net assets released from restrictions were \$1,128,093, which were released from purpose restrictions.

Permanently Restricted. Permanently restricted net assets represent contributions to be held in perpetuity as directed by the donors. Catholic Charities had no permanently restricted net assets as of April 30, 2015.

Cash and Equivalents

For the purposes of the financial statements, Catholic Charities considers all undesignated cash and highly liquid investments with an original maturity of three months or less, and which are not held by investment managers as part of an investment portfolio, to be cash and cash equivalents.

Accounts Receivable

Accounts receivable are primarily from government agencies. No allowance for uncollectible amounts has been provided because they are deemed collectible.

continued

CATHOLIC CHARITIES OF THE EAST BAY

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Contributions and Pledges Receivable

Contributions received are reported as unrestricted, temporarily restricted or permanently restricted, depending upon donor restrictions, if any. Contributions, including unconditional promises to give, are recognized as revenues in the period the pledge is received. Conditional pledges to give are recognized when the conditions on which they depend are substantially met. Contributions that are promised in one year but are not expected to be collected until after the end of that year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of any such discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. Conditional promises to give are not included as support until the conditions are substantially met. All contributions receivable pledges are valued at the estimated fair present value at April 30, 2015 and are deemed fully collectible. Accordingly, no allowance for uncollectible pledges has been recorded as of April 30, 2015. A discount rate of 5.0% has been used to calculate the present value of pledges receivable. Total amount of pledges receivable at April 30, 2015 of \$1,105,156 is expected to be collected as follows:

<u>Year ended April 30,</u>	
2016	\$ 248,293
2017	207,635
2018	207,009
2019	204,733
2020	200,000
Thereafter	<u>50,000</u>
	\$1,117,670
Less: unamortized discount on contributions receivable	<u>(12,514)</u>
	<u>\$1,105,156</u>

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are stated at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the Statement of Activities.

Investment income and realized and unrealized gains (losses) on investments are reported as follows:

- As increases (decreases) in permanently restricted net assets, if the terms of the donor stipulations require that they be added to (deducted from) the principal of a permanent endowment fund.
- As increases (decreases) in temporarily restricted net assets, if the terms of the donor stipulations impose restrictions on the use of income.
- As increases (decreases) in unrestricted net assets in all other cases.

continued

CATHOLIC CHARITIES OF THE EAST BAY

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Fair Value Measurements

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 inputs - quoted prices in active markets for identical assets

Level 2 inputs - quoted prices in active or inactive markets for the same or similar assets

Level 3 inputs - estimates using the best information available when there is little or no market

Catholic Charities is required to measure two types of assets and certain revenues at fair value: receivable from charitable trust, investments, pledged contributions, contributed services, and land and facilities. The specific techniques used to measure fair value for each element is described in the notes below that relate to each element.

Property and Equipment

Property and equipment are recorded at cost, if purchased, or at fair market value when donated. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purchase. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Unless a donor stipulates the length of time an asset must be maintained, Catholic Charities reports expirations of donor restrictions when the donated or acquired asset is placed in service. At that time, Catholic Charities reclassifies temporarily restricted net assets to unrestricted net assets.

Property and equipment which cost \$2,000 or more are depreciated on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings and improvements	10 - 30 years
Furniture, fixtures, and equipment	3 - 7 years

Advances on Contracts

Advances on contracts represent advances from funding agencies for future services to be provided, or disbursements of direct assistance to individuals, by Catholic Charities. Revenue is recognized on these contracts when the services are performed or the assistance has been disbursed.

Bequests

Bequests are recognized as income at the time an unassailable right to the gift has been established and the proceeds are measurable in amount. All contributions are considered to be available for unrestricted use unless their use is specifically restricted by the donor. The Board has designated that funds received by bequest shall not be used for current operations, but be transferred into the investment fund for long term use.

continued

CATHOLIC CHARITIES OF THE EAST BAY

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Donated Services

Donated services are presented in the financial statements at the fair value of the services received. Contributions of services are recognized if the services received create or enhance non-financial assets or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The value of contributed services for the year ended April 30, 2015 totaled \$198,049.

Tax Exempt Status

Catholic Charities is a qualified organization exempt from Federal income and California franchise taxes under the provisions of Sections 501(c)(3) of the Internal Revenue Code and 23701(d) of the California Revenue and Taxation Code, respectively. Accordingly, no provision for income taxes has been included in the accompanying financial statements.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by Catholic Charities' in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. Catholic Charities' returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

Functional Allocation of Expenses

Expenses by function have been allocated among program and supporting services classifications on the basis of time records and on estimates made by Catholic Charities' management.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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. Significant estimates included in the accompanying financial statements include, but are not limited to, the valuation of split-interest agreements (charitable trusts receivable), the functional expense allocations and depreciation expense. Actual results could differ from those estimates.

Concentration of Credit Risks

Financial instruments which potentially subject Catholic Charities to concentrations of credit risk consist of cash and investment securities. Catholic Charities places its cash with creditworthy, high quality financial institutions. Periodically, such investments may be in excess of federally insured limits.

continued

CATHOLIC CHARITIES OF THE EAST BAY

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Catholic Charities also has investments in equity and debt securities and is therefore subject to concentrations of credit risk. Investments are managed by investment advisors who have been given instructions by the Board of Directors. Though the market value of investments is subject to fluctuations on a year to year basis, the board officers believe that the investment policy is prudent for the long term welfare of Catholic Charities.

Credit risk with respect to accounts and contributions receivable is limited due to the credit worthiness of the government agencies and individuals who comprise the grantor and donor bases.

Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Catholic Charities' financial statements for the year ended April 30, 2014, from which the summarized information was derived.

Reclassification

Certain amounts from the April 30, 2014 financial statements have been reclassified to conform to April 30, 2015 presentation.

Subsequent Events

Management has evaluated subsequent events through September 25, 2015, the date which the financial statements were available.

3. Receivable from Charitable Trusts

Catholic Charities is the beneficiary of a charitable remainder trust that is managed by third party trustees. The charitable remainder trusts provide for the payment of distributions to the grantor or other designated beneficiaries over the trust's term. At the end of the trust's term, the remaining assets are available for use by Catholic Charities. In the year the trust was established, the portion of the trust that was attributable to the present value of the future benefits to be received by Catholic Charities was recorded in the Statement of Activities as a temporarily restricted contribution. Each subsequent year, the change in the value of the trust has been reported in the Statement of Activities as increases in temporarily restricted net assets. The change for year ended April 30, 2015 was \$2,990.

The receivable of \$124,340 from charitable trusts is recorded at the present value of the fair market value of the trust's assets at fiscal year end. The present value is calculated using the estimated remaining life of the trust, which is determined by the beneficiaries' life expectancies. The trust uses an approximate discount rate of 8.04%, estimated investment returns of approximately 7%, and a remaining term of 5 ½ years.

CATHOLIC CHARITIES OF THE EAST BAY

NOTES TO FINANCIAL STATEMENTS

4. Investments

Significant information about investments at April 30, 2015 is summarized as follows:

Equity funds	\$3,144,448
Fixed income	1,485,509
Money market funds	533,664
Mutual funds	<u>83,384</u>
Total	<u>\$5,247,005</u>

The unrestricted portion of total investments in the amount of \$3,875,689 is designated by the Board of Directors for long term use. Another \$1,246,133 is to be used for elderly care, and \$125,183 is restricted by the donor to be used at the rate of \$70,000 per year for senior homelessness prevention.

5. Property and Equipment

Property and equipment at April 30, 2015 consist of the following:

Building and improvements	\$ 3,025,506
Furniture and equipment	391,978
Work in progress	<u>23,200</u>
	3,440,684
Less: accumulated depreciation	<u>(1,298,790)</u>
	2,141,894
Land	<u>374,224</u>
	<u>\$ 2,516,118</u>

Depreciation expense for the year ended April 30, 2015 was \$288,963.

6. Funds Held on Behalf of Other Organizations

Catholic Charities collects money from Catholic parishes to benefit other Catholic charitable organizations. Catholic Charities also acts as a fiscal agent for disbursing the San Francisco Chronicle's Season of Sharing fund in Alameda and Contra Costa Counties. The Season of Sharing funds are used primarily for housing assistance to individuals. Alameda County Department of Social Services and Contra Costa County administer the program, which involves county social services agencies and other community organizations it designates to screen and direct disbursements to eligible individuals. Catholic Charities is one of the designated organizations.

The total amounts collected, received, remitted, and the remaining balance held, on behalf of the other organizations, were as follows:

CATHOLIC CHARITIES OF THE EAST BAY

NOTES TO FINANCIAL STATEMENTS

6. Funds Held on Behalf of Other Organizations, continued

Balance, April 30, 2014	\$ 1,345,607
Amount received from San Francisco Chronicle Season of Sharing Fund	1,274,717
Amounts collected for other organizations during the fiscal year:	
Catholic Campaign for Human Development	164,753
Catholic Relief Services – General Collection	177,221
Catholic Relief Services – Rice Bowl Collection	<u>186,176</u>
	3,148,474
Less amounts remitted during fiscal year	<u>(2,335,174)</u>
Balance, April 30, 2015	<u>\$ 813,300</u>

7. Note Payable

In December 2012, Catholic Charities entered into a 3 year loan agreement with a corporation for the purchase of a building in Richmond, California, with the payments being amortized over 20 years. The loan bears interest at 5% per annum, with monthly principal and interest payments of \$7,919, and was secured by a first deed of trust on the property and the entire balance with any interest is repayable on January 1, 2016.

Catholic Charities refinanced the mortgage loan on July 8, 2013 with a financing institution at a “Swapping Agreement All-in Rate” of 4.57%. Loan is secured by a first deed of trust on the property and the entire balance with any interest is repayable on September 1, 2020.

Note payable at April 30, 2015 consists of the following:

Richmond, California mortgage loan	\$1,349,764
Less: current portion	<u>(33,110)</u>
	<u>\$1,316,654</u>

Maturities for the note payable are as follows:

<u>Year ended April 30,</u>	
2016	\$ 33,110
2017	34,655
2018	36,273
2019	37,966
2020	39,737
Thereafter	<u>1,168,023</u>
	<u>\$1,349,764</u>

continued

CATHOLIC CHARITIES OF THE EAST BAY

NOTES TO FINANCIAL STATEMENTS

8. Lease Commitments

Catholic Charities leases properties, postage and copier equipment under long-term operating leases. At April 30, 2015, future minimum lease payments required under non-cancellable operating leases, with a remaining term of one year or more, are as follows:

<u>Year ended April 30,</u>	
2016	\$ 76,739
2017	76,739
2018	76,739
2019	<u>76,739</u>
	<u>\$306,956</u>

Total lease expense for the year ended April 30, 2015 was \$94,914.

9. Retirement Plan

On November 1, 2008, Catholic Charities adopted a 403(b) plan. Employees are eligible to participate. There is no minimum age or service requirements for employees to make salary reduction contributions to the plan. Eligibility for employer base and matching contributions are offered only to employees age 18 and older who have completed 1,000 hours of service within any 12-month period of employment with Catholic Charities or other members of the Catholic Charities USA network and the Roman Catholic Diocese of Oakland. The established base contribution rate is 3% of compensation. Contributions paid to the plan for the year ended April 30, 2015 amounted to \$31,206.

10. Risks and Uncertainties

Catholic Charities derives the majority of its revenues from government grants and external donors. Accordingly, the success of Catholic Charities depends to a large extent on continued funding from these donors and the philanthropic environment in general.

Catholic Charities' grants and contracts are subject to inspection and audit by the appropriate governmental funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously-funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, Catholic Charities has no provisions for the possible disallowance of program costs on its financial statements.

CATHOLIC CHARITIES OF THE EAST BAY

NOTES TO FINANCIAL STATEMENTS

11. Fair Value Measurements

The table below presents the balances of assets or liabilities measured at fair value at April 30, 2015 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed income				
US Treasury Notes	\$ 510,808	\$ -	\$ -	\$ 510,808
Other Government Securities	435,167			435,167
Corporate Bonds	<u>488,402</u>			<u>488,402</u>
	<u>1,434,377</u>	<u>-</u>	<u>-</u>	<u>1,434,377</u>
Equities				
Large core	1,269,246			1,269,246
Large value	616,802			616,802
Large growth	582,686			582,686
Mid value	284,425			284,425
Mid core	156,777			156,777
Mid growth	145,413			145,413
Small value	<u>83,452</u>			<u>83,452</u>
	<u>3,138,801</u>	<u>-</u>	<u>-</u>	<u>3,138,801</u>
Mutual Funds				
Large blend	83,384			83,384
Receivable from Charitable Trusts			<u>124,340</u>	<u>124,340</u>
	<u>\$4,656,562</u>	<u>\$ -</u>	<u>\$124,340</u>	<u>\$4,780,902</u>

The fair values of fixed income, equities, and mutual funds have been measured on a recurring basis using quoted prices for identical assets in active markets (Level 1 inputs).

The fair value of the receivable from charitable trusts is measured on a recurring basis by calculating the change in value of the client's beneficial interest in the trust (Level 3 inputs).

The following table provides further details of the Level 3 fair value measurements:

Balance, beginning of year	\$121,349
Change in the charitable trusts value	<u>2,991</u>
Balance, end of year	<u>\$124,340</u>

continued

CATHOLIC CHARITIES OF THE EAST BAY

NOTES TO FINANCIAL STATEMENTS

11. Fair Value Measurements, continued

The table below presents transactions measured at fair value on a non-recurring basis during the year ended April 30, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pledged contributions (new)	\$ -	\$ -	\$1,099,046	\$1,099,046
Contributed services		198,049		198,049
	<u>\$ -</u>	<u>\$198,049</u>	<u>\$1,099,046</u>	<u>\$1,297,095</u>

The fair value of contributed services has been measured on a non-recurring basis using quoted prices for similar assets in inactive markets (Level 2 inputs).

The fair value of pledged contributions are measured on a non-recurring based on the value provided by the donor at the date of pledge (Level 3 inputs).

SUPPLEMENTAL SCHEDULES

CATHOLIC CHARITIES OF THE EAST BAY

SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS
For the year ended April 30, 2015

<u>Program Name</u>	<u>Contract Number</u>	<u>Federal CFDA No.</u>	<u>Contract Term</u>	<u>Program Award</u>	<u>Federal</u>	<u>Non-Federal</u>	<u>Program Expenditures from Government Revenues</u>
Federal Award							
U.S. Department of Health and Human Services ("DHHS"):							
Directly from DHHS, Substance Abuse and Mental Health Services_Projects of Regional and National Significance							
- Trauma-Informed Practices (TIIPS)	5U79SM061185-02	93.243	09/30/13 - 09/29/14	\$ 391,273	\$ 126,646	\$ -	\$ 126,646
- Trauma-Informed Practices (TIIPS)	5U79SM061185-02	93.243	09/30/14 - 09/29/15	400,000	295,869		295,869
Sub-total Directly from DHHS				<u>791,273</u>	<u>422,515</u>	<u>-</u>	<u>422,515</u>
Pass-through, County of Alameda - Refugee and Entrant Assistance_Targeted Assistance Grants	SSGTAF013012013	93.584	10/01/13 - 09/30/14	286,147	115,465		115,465
Pass-through, County of Alameda - Refugee and Entrant Assistance_Targeted Assistance Grants	SSGTAF013012014	93.584	10/01/14 - 09/30/15	92,725	67,726		67,726
Sub-total pass-through, County of Alameda				<u>378,872</u>	<u>183,191</u>	<u>-</u>	<u>183,191</u>
Pass-through, County of Alameda - Refugee and Entrant Assistance - State Administered Programs	SSGRESS0100001	93.566	07/01/13 - 06/30/14	234,000	43,003	3,583	46,586
Pass-through, County of Alameda - Refugee and Entrant Assistance - State Administered Programs	SSGRESS14010000	93.566	07/01/14 - 09/30/15	159,900	185,763	15,481	201,244
Sub-total pass-through, County of Alameda - Employment/RESS Oakland				<u>393,900</u>	<u>228,766</u>	<u>19,064</u>	<u>247,830</u>
Pass-through, County of Alameda - Temporary Assistance for Needy Families	SSGRESS0100000	93.588	07/01/13 - 06/30/14	216,000	43,003		43,003
Pass-through, County of Alameda - Temporary Assistance for Needy Families	SSGRESS0100001	93.588	07/01/14 - 09/30/15	147,600	185,763		185,763
Sub-total pass-through, County of Alameda - Employment/RESS Oakland				<u>363,600</u>	<u>228,766</u>	<u>-</u>	<u>228,766</u>
Pass-through, County of Contra Costa - Differential Response Path 2 Services for At-Risk Families in Central County	19-685-3	93.566	07/01/13 - 09/30/14	141,377	38,172	12,825	50,997
Pass-through, County of Contra Costa - Differential Response Path 2 Services for At-Risk Families in Central County	19-905-0		10/01/14 - 06/30/14	141,377		44,245	44,245
Sub-total pass-through, County of Contra Costa				<u>282,754</u>	<u>38,172</u>	<u>57,070</u>	<u>95,242</u>
Total DHHS				<u>2,210,399</u>	<u>1,101,410</u>	<u>76,134</u>	<u>1,177,544</u>
U.S. Department of Housing and Urban Development ("HUD"):							
Pass-through, Catholic Charities of USA - Housing Counseling Assistance Program	HC-1430011017	14.169	10/01/13 - 03/31/15	25,000	25,000		25,000
Pass-through, Catholic Charities of USA - Housing Counseling Assistance Program		14.169	07/01/13 - 06/30/14	13,680	10,181		10,181
Total HUD				<u>38,680</u>	<u>35,181</u>	<u>-</u>	<u>35,181</u>
U.S. Department of State:							
Pass-through, United States Conference of Catholic Bishops - U.S. Refugee and Admissions Program (a)		19.510	10/01/13 - 12/31/14	197,600	123,376		123,376
Pass-through, United States Conference of Catholic Bishops - U.S. Refugee and Admissions Program (a)		19.510	10/01/14 - 09/30/15	127,500	58,280		58,280
Pass-through, United States Conference of Catholic Bishops - U.S. Refugee and Admissions Program (a)		19.510	10/01/13 - 09/30/14	175,500	84,447		84,447
Pass-through, United States Conference of Catholic Bishops - U.S. Refugee and Admissions Program (a)		19.510	10/01/14 - 09/30/15	175,500	153,483		153,483
Total United States Department of State, Bureau of Population, Refugees and Migration				<u>676,100</u>	<u>419,586</u>	<u>-</u>	<u>419,586</u>
Total Federal Awards				<u>\$ 2,925,179</u>	<u>\$ 1,556,177</u>	<u>\$ 76,134</u>	<u>\$ 1,632,311</u>

(a) Audited as a major program

Summary of Significant Accounting Policies:

- 1) Basis of Accounting - The Schedule of Expenditures of Federal and Non-federal Awards has been reported on the accrual basis of accounting.
- 2) Catholic Charities is exempt from income taxation under Internal Revenue Code Section 501(c)(3) and California Revenue Taxation Code Section 23701d.

See independent auditors' report.

CATHOLIC CHARITIES OF THE EAST BAY

SCHEDULE OF ACTIVITIES FOR CONTRACTS WITH ALAMEDA COUNTY
For the year ended April 30, 2015

Contract 1 Number	83895	85177	SSGTAF013012013	SSGRRESS0100000	G408610
Contract Period 1	7/1/13 - 6/30/14	7/1/14 - 6/30/15	10/1/13 - 9/30/14	07/01/13 - 06/30/14	11/21/14 - 11/20/15
Contract Period 1 Amount	\$ 300,000	\$ 175,000	\$ 286,147	\$ 450,000	\$ 90,000
Contract 2 Number	85037		SSGTAF013012014	SSGRRESS0100001	
Contract Period 2	7/1/14 - 6/30/15		10/1/14 - 9/30/15	07/01/14 - 09/30/15	
Contract Period 2 Amount	\$ 300,000		\$ 92,725	\$ 307,500	

<u>Contract/Program Description</u>	<u>City of Oakland Measure Y - CRSN</u>	<u>Emergency Relocation</u>	<u>Targeted Assistance</u>	<u>Employment/RESS Alameda County</u>	<u>Centro Legal de la Raza</u>	<u>Total</u>
<u>Revenue</u>						
Grants	\$ 300,000	\$ 145,833	\$ 183,191	\$ 476,596	\$ 41,702	\$ 701,489
Rent income						-
Other: private grant						-
Total Revenues	<u>300,000</u>	<u>145,833</u>	<u>183,191</u>	<u>476,596</u>	<u>41,702</u>	<u>701,489</u>
Salaries	93,258	30,234	25,082	237,177	37,565	299,824
Employee benefits	7,968	3,890	2,114	43,910	1,265	47,289
Payroll taxes	5,046	1,894	1,485	16,041	2,872	20,398
Total personnel costs	<u>106,272</u>	<u>36,018</u>	<u>28,681</u>	<u>297,128</u>	<u>41,702</u>	<u>367,511</u>
Financial assistance to individuals	29,960	60,184	61,428	48,334		109,762
Contracted Services	139,788	18,084	73,592	6,126		79,718
Occupancy expenses		1,077	3,931	32,975		36,906
Other	6,126	26,407	5,687	69,508		75,195
Telephone	3,046	17	773	9,325		10,098
Supplies	5,460	182	8,299	3,696		11,995
Travel expense	5,638	3,777	613	7,104		7,717
Events	1,500					
Printing and publications	1,299	87	187	1,633		1,820
Postage and shipping	56			82		82
Training and conference	855			685		
Total direct costs	<u>\$ 300,000</u>	<u>\$ 145,833</u>	<u>\$ 183,191</u>	<u>\$ 476,596</u>	<u>\$ 41,702</u>	<u>\$ 700,804</u>

See independent auditors' report.

ADDITIONAL INFORMATION



Certified Public Accountants, LLP

**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***

To the Board of Directors
Catholic Charities of the East Bay

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Catholic Charities of the East Bay ("Catholic Charities"), which comprise the Statement of Financial Position as of April 30, 2015, 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 September 25, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Catholic Charities' 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' internal control. Accordingly, we do not express an opinion on the effectiveness of Catholic Charities' 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 audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Catholic Charities' financial statements are free of 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*.

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 Catholic Charities' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Harrington Group

San Francisco, California
September 25, 2015

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Certified Public Accountants, LLP

**Independent Auditors' Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by OMB Circular A-133**

To the Board of Directors
Catholic Charities of the East Bay

Report on Compliance for Each Major Federal Program

We have audited Catholic Charities of the East Bay's ("Catholic Charities") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Catholic Charities' major federal programs for the year ended April 30, 2015. Catholic Charities' 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Catholic Charities' 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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' 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' compliance.

Opinion on Each Major Federal Program

In our opinion, Catholic Charities complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended April 30, 2015.

Report on Internal Control Over Compliance

Management of Catholic Charities is responsible for establishing and maintaining effective internal control over compliance with the types of compliance referred to above. In planning and performing our audit of compliance, we considered Catholic Charities' 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 OMB Circular A-133, 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' internal control over compliance.

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**Independent Auditors' Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by OMB Circular A-133**
continued

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Harrington Group

San Francisco, California
September 25, 2015

CATHOLIC CHARITIES OF THE EAST BAY
Schedule of Findings and Questioned Costs
For the year ended April 30, 2015

Section I – Summary of Auditors’ Results

Financial Statements:

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiencies identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards:

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiencies identified? 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 510(a) of Circular A-133? No

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes

Identification of Major Programs:

U.S. Department of State:

U.S. Refugee and Admissions Program 19.510

Section II – Financial Statements Findings

There are no findings required to be reported in accordance with *Generally Accepted Government Auditing Standards*.

Section III – Federal Award Findings and Questioned Costs

There are neither findings nor questioned costs for Federal awards as defined in OMB Circular A-133.

Section IV – Summary Schedule of Prior Year Findings

None.