
CATHOLIC CHARITIES OF THE DIOCESE OF
BATON ROUGE, INC.

FINANCIAL STATEMENTS
JUNE 30, 2012

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

FEB 20 2013

Release Date _____



**Postlethwaite
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**CATHOLIC CHARITIES OF THE DIOCESE OF
BATON ROUGE, INC.**

**FINANCIAL STATEMENTS
JUNE 30, 2012**

CONTENTS

	<u>Page</u>
Audited Financial Statements:	
Independent Auditors' Report	1
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statement of Functional Expenses	4
Statement of Cash Flows.	5
Notes to Financial Statements	6 - 12
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 <i>Government Auditing Standards</i>	
	13 - 14
Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and On Internal Control over Compliance in Accordance with OMB Circular A-133	
	15 - 16
Schedule of Expenditures of Federal Awards	17
Notes to Schedule of Expenditures of Federal Awards	18 - 19
Schedule of Findings and Questioned Costs	20 - 23
Summary Schedule of Prior Year Audit Findings	24

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Catholic Charities of the Diocese of Baton Rouge, Inc.
Baton Rouge, Louisiana

We have audited the statement of financial position of Catholic Charities of the Diocese of Baton Rouge, Inc. (CCDBR) (a non-profit organization) as of June 30, 2012, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of CCDBR's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Catholic Charities of the Diocese of Baton Rouge, Inc. as of June 30, 2012, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 21, 2012, on our consideration of CCDBR's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards on page 17 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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.

Postlethwaite & Netterville

Baton Rouge, Louisiana
December 21, 2012

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012

ASSETS

CURRENT ASSETS

Cash and cash equivalents - unrestricted	\$ 888,016
Cash and cash equivalents - restricted	1,228,678
Certificate of deposit - unrestricted	11,988
Certificate of deposit - restricted	53,655
Grants receivable	694,549
Unconditional promises to give - United Way	
Services funding for the next fiscal year	423,500
Other current assets	<u>13,369</u>
Total current assets	<u>3,313,755</u>

OTHER ASSETS

Property, furniture and equipment - net	<u>1,750,000</u>
Total assets	<u>\$ 5,063,755</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 183,545
Accrued expenses	168,696
Due to United States Conference of Catholic Bishops	5,500
Current portion of notes payable to Catholic Diocese of Baton Rouge	<u>3,760</u>
Total current liabilities	<u>361,501</u>

OTHER LIABILITIES

Non-current portion of notes payable to Catholic Diocese of Baton Rouge	31,137
Non-current portion of notes payable to Office of Community Development	<u>136,000</u>
Total other liabilities	<u>167,137</u>
Total liabilities	<u>528,638</u>

NET ASSETS

Unrestricted	2,829,284
Temporarily restricted	1,652,178
Permanently restricted	<u>53,655</u>
Total net assets	<u>4,535,117</u>
Total liabilities and net assets	<u>\$ 5,063,755</u>

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

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>REVENUES</u>				
United Way Contributions	\$ 76,046	\$ 423,500	\$ -	\$ 499,546
Other Contributions	161,272	-	-	161,272
Federal and state contracts	3,117,768	-	-	3,117,768
Catholic Diocese of Baton Rouge	1,132,295	-	-	1,132,295
Fee income	336,273	-	-	336,273
Interest income	6,748	-	-	6,748
Disaster response and emergency assistance grant income	-	59,801	-	59,801
Other income	310,008	-	-	310,008
Net assets released from donor restrictions:				
Satisfaction of restrictions	1,441,967	(1,441,967)	-	-
Total revenues	<u>6,582,377</u>	<u>(958,666)</u>	<u>-</u>	<u>5,623,711</u>
<u>EXPENSES</u>				
Program services	5,636,635	-	-	5,636,635
Management and general	815,294	-	-	815,294
Fundraising	1,799	-	-	1,799
Total expenses	<u>6,453,728</u>	<u>-</u>	<u>-</u>	<u>6,453,728</u>
<u>CHANGE IN NET ASSETS</u>	128,649	(958,666)	-	(830,017)
<u>BALANCE AT JUNE 30, 2011</u>	<u>2,700,635</u>	<u>2,610,844</u>	<u>53,655</u>	<u>5,365,134</u>
<u>BALANCE AT JUNE 30, 2012</u>	<u>\$ 2,829,284</u>	<u>\$ 1,652,178</u>	<u>\$ 53,655</u>	<u>\$ 4,535,117</u>

The accompanying notes are an integral part of this financial statement

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Specific assistance to individuals	\$ 1,478,126	\$ -	\$ -	\$ 1,478,126
Other salaries and wages	2,164,722	393,797	-	2,558,519
Pension plan contributions	111,168	24,459	-	135,627
Other employee benefits	206,285	60,897	-	267,182
Payroll taxes	147,565	30,328	-	177,893
Fundraising expenses	-	-	1,799	1,799
Accounting and other professional fees	-	39,425	-	39,425
Supplies	30,322	12,678	-	43,000
Telephone	102,566	21,700	-	124,266
Postage and shipping	11,707	3,804	-	15,511
Occupancy	349,740	40,780	-	390,520
Equipment rental and maintenance	70,719	14,615	-	85,334
Printing and publications	18,860	9,078	-	27,938
Travel	122,902	10,327	-	133,229
Conferences, conventions, and meetings	20,414	13,274	-	33,688
Depreciation	143,742	-	-	143,742
Pass-through contracts	496,457	-	-	496,457
Interest	-	1,448	-	1,448
Other	161,340	138,684	-	300,024
	<u>\$ 5,636,635</u>	<u>\$ 815,294</u>	<u>\$ 1,799</u>	<u>\$ 6,453,728</u>

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

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (830,017)
Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities:	
Depreciation	143,742
Loss on asset dispositions	12,341
Changes in:	
Grants receivable	(27,606)
Unconditional promises to give	(88,500)
Other assets	(11,208)
Accounts payable	(51,011)
Accrued expenses	<u>(78,912)</u>
Net cash used in operating activities	<u>(931,171)</u>

CASH FLOW FROM INVESTING ACTIVITIES

Earnings reinvested in certificate of deposit	(720)
Purchase of equipment and construction costs	<u>(8,052)</u>
Net cash used in investing activities	<u>(8,772)</u>

CASH FLOW FROM FINANCING ACTIVITIES

Principal payments on debt	<u>(3,760)</u>
Net cash used in financing activities	<u>(3,760)</u>
Net change in cash and cash equivalents	(943,703)
Cash and cash equivalents, beginning of year	<u>3,060,397</u>
Cash and cash equivalents, end of year	<u>\$ 2,116,694</u>
Cash and cash equivalents - unrestricted	\$ 888,016
Cash and cash equivalents - restricted	<u>1,228,678</u>
Total cash and cash equivalents	<u>\$ 2,116,694</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during year:	
Interest	<u>\$ 1,448</u>

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

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. **Summary of Significant Accounting Policies**

a. **Nature of Activities**

Catholic Charities of the Diocese of Baton Rouge, Inc. (CCDBR or the Organization) is a non-profit corporation which was organized under the laws of the State of Louisiana on April 2, 1975, to promote organized charitable welfare and social service work for the moral betterment of all persons.

b. **Basis of Accounting**

The financial statements of the Organization have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities.

c. **Promises to Give and Revenue Recognition**

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. All contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance method to determine uncollectible unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made. Management feels that all promises to give are collectible, and as such, no allowance for doubtful accounts has been established.

d. **Grants Receivable**

Grants receivable represents amounts owed to the Organization for costs incurred under federal and state grant contracts which are reimbursable to the Organization. Grants receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on grants receivables using the allowance method. The allowance is based on experience and other circumstances, which may affect the ability of contractors to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible contracts receivable when management determines that the receivable will not be collected. Management feels that all receivables are collectible, and as such, no allowance for doubtful accounts has been established.

e. **Unrestricted Net Assets**

It is the recommendation of the Board of Directors and management of the Organization that four to six months operating expenses should be accumulated and maintained as unrestricted net assets in order to cover unreimbursed overhead expenses associated with grant awards and other contingencies, and due to the uncertainty and irregularity in the timing of grant receipts from its federal and state programs.

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. **Summary of Significant Accounting Policies** (continued)

f. **Property and Equipment**

Property and equipment are stated at cost or, if donated, at the estimated fair market value at the date of donation. Maintenance and repairs are charged to expense, while additions and improvements in excess of \$1,000 are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range as follows:

Furniture and equipment	3 - 10 Years
Shelters	20 - 25 Years

g. **Donated Services**

A significant portion of CCDBR's functions are conducted by unpaid volunteers. The value of the contributed time is not reflected in the accompanying financial statements since the services do not meet the criteria for recognition under accounting principles generally accepted in the United States of America. See Note 5 regarding in-kind contributions.

h. **Cash and Cash Equivalents**

For purposes of the statement of cash flows, cash equivalents include any highly liquid investments with original maturities of three months or less.

i. **Allocation of Expenses**

The costs of providing the various programs and other activities of the Organization have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and the supporting services benefited based on management's estimates.

j. **Use of Estimates**

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

k. **Income Taxes**

The Organization is a non-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

k. Income Taxes (continued)

The Organization recognizes the effect of income tax positions only if the positions are more likely than not of being sustained. Recognized income tax positions are recorded at the largest amount that is greater than 50% likely of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances and other information available at the reporting date and is subject to management's judgment. Changes in the recognition or measurement are reflected in the period in which the change in judgment occurs. The Organization has evaluated its position regarding the accounting for uncertain income tax positions and does not believe that it has any material uncertain tax positions.

With few exceptions, the Organization is no longer subject examinations by taxing authorities for years before June 30, 2009.

2. Grants Receivable

The detail of grants receivable as of June 30, 2012, is as follows

Match Grant	\$ 116,416
Migration and Refugee Services (Legal)	40,251
Senior Employment Program	184,937
Foster Grandparents	101,056
Refugee Social Services	83,369
Maternity and Adoption	10,190
Migration and Refugee Services	22,138
Case Management	53,785
United States Conference of Catholic Bishops	82,407
	<u>\$ 694,549</u>

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

3. **Property, Furniture and Equipment**

Property and equipment acquired by the Organization is considered to be owned by the Organization. However, the State of Louisiana maintains the title to the property and equipment purchased in whole or in part under contracts/grants funded by the State of Louisiana. The State has the right to require the transfer of the property and equipment (including title) to the State or to an eligible non-state party named by the State. Such transfer may occur at any time.

The composition of property, furniture and equipment at June 30, 2012 was as follows:

Land and shelters	\$ 2,007,648
Furniture and equipment	<u>471,160</u>
	2,478,808
Accumulated depreciation	<u>(728,808)</u>
	<u>\$ 1,750,000</u>

Depreciation expense totaled \$143,742 for the year ended June 30, 2012.

4. **Due to United States Conference of Catholic Bishops**

The Migration and Refugee Services Program established a revolving account with the United States Conference of Catholic Bishops (USCCB) for the purpose of resettling refugees. In accordance with the revolving account agreement, these funds are to be returned to the USCCB upon the termination of the program. As of June 30, 2012, the balance due to USCCB amounted to \$5,500.

5. **Related Party**

CCDBR has a relationship with the Catholic Diocese of Baton Rouge (DOBR) that includes participation in Diocesan benefit programs, and considerable savings on rent, insurance, telephone, and other equipment usage. For the year ended June 30, 2012, these in-kind contributions have been recorded as revenue with the offset being recorded as expenses in the amount of \$162,919

In addition, revenues from DOBR include \$92,543 to subsidize the Joseph Homes program, \$311,312 to subsidize the Maternity and Adoption program, and \$70,815 to subsidize the Social Responsibility program. The remaining \$494,706 was used to fund other programs within the organization.

Due to the nature of CCDBR's organization, the funding is expected to continue for the duration of these program operations of CCDBR.

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

6 Due to Catholic Diocese of Baton Rouge

The Catholic Diocese of Baton Rouge provided financing for CCDBR on August 3, 2005 to acquire a house used for shelter for clients in need. The loan amount was \$55,000, is being repaid in 199 monthly installments and is unsecured. The interest rate on the note is 3.50%. Interest expense incurred on this loan during the year ended June 30, 2012 was \$1,448. The following schedule shows the future payouts of the note

<u>For year ending June 30,</u>	
2013	3,760
2014	3,893
2015	4,032
2016	4,175
2017	4,324
Thereafter	<u>14,713</u>
	<u>\$ 34,897</u>

7. Note Payable – Office of Community Development

CCDBR received \$136,000 as part of a loan agreement with the Office of Community Development. These funds were to be used for the rehabilitation of buildings as part of the Families First Housing Program. This is a principal only loan with a term of 10 years. The repayment terms of the note are being forgiven as long as CCDBR can establish proof of services paid for by using non-federal funds equal to or greater than the annual repayment amount.

8. Pension Plan

Effective June 30, 2009, employee benefits under the Catholic Diocese of Baton Rouge defined benefit pension plan (the Plan) were frozen and a defined contribution (401(k)) plan was started as of July 1, 2009. Employer contributions at the rate of 5% of eligible payroll are to be used to fund the obligations which are currently unfunded.

As noted above, the Diocese adopted a 401(k) Plan effective July 1, 2009 which covers all full time employees. Eligible employees are automatically enrolled after the first three months of employment but may choose to opt out of participation in the plan. The Diocese matches 100% of the first 2% of elective contributions not to exceed 2% of compensation and participants can elect to contribute between 4% and 98% of compensation. The plan offers both pre-tax and Roth options. For the year ended June 30, 2012, employer contributions of \$135,627 were made to the plan.

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

9. Net Assets Released from Donor Restrictions

Net assets were released from donor restrictions by incurring expenditures satisfying the restricted purposes or by occurrences of other events specified by the donors to the following programs:

Family Achievement Center	\$ 79,349
Employment Services	30,015
Case Management	43,349
Match Grant	470
Mission Enhancement	337,180
Disaster Assistance	37,973
Disaster Response	117,928
Housing Program	85,648
Behavioral Health	120,598
Agency	589,457
	<u>\$ 1,441,967</u>

10. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2012 were available for specific programs being conducted by the Organization as follows:

Disaster Response and Recovery	\$ 1,228,678
Agency	423,500
	<u>\$ 1,652,178</u>

Management determined that a reclassification of net assets for the period ended June 30, 2011 was necessary due to time restrictions on donor contributions. As such, beginning temporarily restricted net assets was increased by \$335,000 and reclassified from unrestricted net assets

11. Off-Balance Sheet Risk

CCDBR may, from time to time, have deposits in a financial institution in excess of federally insured limits. Management believes the credit risk associated with these deposits is minimal.

12. Promise to Give – United Way Funding

On May 15, 2012, the Capital Area United Way notified CCDBR of its current fiscal year allocation of \$423,500. This allocation is considered a temporarily restricted contribution and is recorded as an unconditional promise to give as of June 30, 2012.

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

13. **Endowed Net Assets**

Effective July 1, 2010, the Louisiana legislature enacted Act No. 168 ("Act") to implement the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as the standard for the management and investment of institutional funds in Louisiana. The Act permits an institution to appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund was established, subject to the intent of the donor as expressed in the gift instrument. The expenditure of funds from these endowments is limited to the income from the investment of principal. The funds are under the direction and control of the Executive Director of the Organization.

The Organization received a permanently restricted donation in the form of a certificate of deposit during 2006. This is the only permanently restricted asset of the Organization. As such, a formal policy for spending has not been established. Investment earnings are recorded in current year operations as increases in temporarily restricted net assets until these earnings receive appropriation for expenditure.

The net asset composition by type of fund was as follows as of June 30, 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted Endowment	\$ -	\$ -	\$ 53,655	\$ 53,655

Changes in endowment net assets were as follows as of June 30, 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2011	\$ -	\$ -	\$ 53,655	\$ 53,655
Investment Return:				
Investment income	-	-	720	720
Appropriation of endowment assets for expenditure	-	-	(720)	(720)
Contributions	-	-	-	-
Endowment net assets, June 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,655</u>	<u>\$ 53,655</u>

14 **Subsequent Events**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 21, 2012, and determined that there were no events that require additional disclosure. No events occurring after this date have been evaluated for inclusion in these financial statements.

**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 Diocese
of Baton Rouge, Inc.
Baton Rouge, Louisiana

We have audited the financial statements of Catholic Charities of the Diocese of Baton Rouge, Inc. as of and for the year ended June 30, 2012, and have issued our report thereon dated December 21, 2012. 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.

Internal Control Over Financial Reporting

Management of Catholic Charities of the Diocese of Baton Rouge, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Catholic Charities of the Diocese of Baton Rouge's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Catholic Charities of the Diocese of Baton Rouge's internal control over financial reporting.

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 control deficiency, or a combination of control 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Catholic Charities of the Diocese of Baton Rouge's Inc. financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of directors, management, and others within the Organization, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Postlethwaite ; Netterville

Baton Rouge, Louisiana
December 21, 2012

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors
Catholic Charities of the Diocese
of Baton Rouge, Inc.
Baton Rouge, Louisiana

Compliance

We have audited the compliance of Catholic Charities of the Diocese of Baton Rouge, Inc. (CCDBR) (a non-profit organization) 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 its major federal programs for the year ended June 30, 2012. CCDBR's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of CCDBR's management. Our responsibility is to express an opinion on CCDBR's compliance based on our audit.

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 CCDBR'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. Our audit does not provide a legal determination on CCDBR's compliance with those requirements.

In our opinion, CCDBR complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

The management of CCDBR is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered CCDBR's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 CCDBR's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

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 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. We consider the deficiencies in internal controls over compliance described in the accompanying schedule of findings and questioned costs as items 2012-1 and 2012-2 to be significant deficiencies

CCDBR's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit CCDBR's responses and, accordingly, we express no opinion on the responses.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of CCDBR's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on CCDBR's compliance but not to provide an opinion on the effectiveness of CCDBR's internal control over compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering CCDBR's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

Under Louisiana Revised Statute 24.513, this report is distributed by the Legislative Auditor as a public document.

Postlethwaite & Netterville

Baton Rouge, Louisiana
December 21, 2012

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

<u>FEDERAL GRANTING AGENCY/RECIPIENT AGENCY/ GRANT NAME/GRANT NUMBER</u>	<u>CFDA NUMBER</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>
U. S. Department of Labor Pass through from the State of Louisiana – Division of Administration - Governor’s Office of Elderly Affairs S.C.S.E.P. - Title V (CFMS#692949)	17.235	\$ 855,713
U S. Department of Health and Human Services: Pass through from the Administration for Children and Families, Office of Refugee Resettlement: Refugee and Entrant Assistance – Wilson/Fish Program	93 583	914,917
Refugee Preventative Health Discretionary Grant Program	93 576	126,773
Pass through from the United States Conference of Catholic Bishops. Refugee Preventative Health Discretionary Grant Program (Match)	93.576	<u>76,591</u>
Total U.S. Department of Health and Human Services		1,118,281
U S. Department of Housing and Urban Development: Emergency Shelter Block Grant	14 231	8,475
Pass through from the City of Baton Rouge – Parish of East Baton Rouge, Office of Community Development: Homeless Prevention and Rapid Re-housing – ARRA (Grant# 08012009/07312012)	14.235	71,112
Pass through from the Louisiana Department of Social Services, Office of Community Services, City of Baton Rouge - Parish of East Baton Rouge, Office of Community Development: Homeless Prevention and Rapid Re-housing - ARRA (Grant# 10012009/09302011)	14 235	<u>67,523</u>
Subtotal Homeless Prevention and Rapid Re-housing		138,635
Total U.S. Department of Housing and Urban Development		147,110
Department of State. Pass through from the United States Conference of Catholic Bishops U.S. Refugee Admissions Program	19 510	215,683
Corporation for National and Community Service: Foster Grandparent Program, Title II, Part B (Grant# 08SFWLA003)	94.011	299,100
Federal Emergency Management Agency: Emergency Assistance Program	97 024	<u>37,973</u>
Total Federal Expenditures		<u>\$ 2,673,860</u>

See accompanying notes to schedule of expenditures of federal awards.

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of federal financial awards includes the federal grant activity of Catholic Charities of the Diocese of Baton Rouge, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE B - RECONCILIATION OF EXPENSES TO FEDERAL EXPENDITURES

	<u>Expenses</u>	<u>Indirect Cost Allocation</u>	<u>Non- Federal Award Expenditures</u>	<u>Non-cash Adjustments, Including Depreciation</u>	<u>Equipment Purchases</u>	<u>Federal Expenditures</u>
Senior Employment	876,636	29,165	(49,116)	(972)	-	855,713
Social Responsibility	76,425	6,297	(82,555)	(167)	-	-
FGP Title II, Part B	289,509	24,575	(14,841)	(143)	-	299,100
USCCB	234,266	20,343	(38,926)	-	-	215,683
Match Grant	116,635	10,128	-	-	-	126,763
Maternity & Adoption	460,850	38,161	(498,913)	(98)	-	-
Satellite Counseling Offices	120,200	10,438	(130,638)	-	-	-
Family Achievement Center	144,264	12,527	(150,084)	(6,707)	-	-
Employment Services	88,859	7,020	(95,715)	(164)	-	-
Case Management	495,910	41,928	(346,781)	-	-	191,057
Behavioral Health	239,854	20,026	(259,880)	-	-	-
Housing Program	185,839	16,138	(11,376)	(51,966)	-	138,635
LaPointe	94,307	8,189	(102,496)	-	-	-
SFL	78,456	6,813	(66,869)	(22,775)	4,375	-
Mission Enhancement	385,919	32,158	(418,077)	-	-	-
Refugee Cash Assistance WF	500,642	42,569	(123,891)	-	-	419,320
Joseph Homes (ESBG)	192,158	16,687	(197,421)	(11,424)	-	-
Direct Assistance	152,418	13,235	(165,653)	-	-	-
Disaster Response	289,566	24,833	(267,472)	(46,927)	-	-
Refugee Cash Assistance	212,115	18,419	-	-	-	230,534
Refugee Social Services	181,311	15,744	-	-	-	197,055
Migration and Refugee Services	412,007	32,755	(443,811)	(951)	-	-
Agency	625,582	(448,148)	(179,663)	(1,448)	3,677	-
	<u>\$ 6,453,728</u>	<u>\$ -</u>	<u>\$ (3,644,178)</u>	<u>\$ (143,742)</u>	<u>\$ 8,052</u>	<u>\$ 2,673,860</u>

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE C – SUB-RECIPIENT GRANTS

During the year ended June 30, 2012, the Organization passed through federal awards to sub-recipients totaling \$417,578 under the Refugee and Entrant Assistance – Wilson/Fish Program (CFDA# 93.583).

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

A. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

- Material weakness(es) identified? _____ yes x no
- Significant deficiencies(s) identified that are
not considered to be material weaknesses? _____ yes x none reported

Noncompliance material to financial
statements noted? _____ yes x no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes x no
- Significant deficiency (ies) identified that is (are)
not considered to be material weaknesses? x yes _____ none reported

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

Any audit findings disclosed that are required
to be reported in accordance with section 510(a)
of Circular A-133? _____ yes x no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
17.235	Senior Community Service Employment Program (SCSEP)
93.583	Refugee and Entrant Assistance – Wilson/Fish Program

- The threshold for distinguishing types A & B programs was program expenditures exceeding \$300,000.
- Catholic Charities of the Diocese of Baton Rouge, Inc. was not determined to be a low-risk auditee.

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

B. Findings – Financial Statement Audit

None noted

C. Findings and Questioned Costs – Major Federal Award Programs

2012-1) Eligibility – Assessment of Participants

U.S. Department of Labor:

**Pass through from the State of Louisiana –Division of Administration –
Governor’s Office of Elderly Affairs**

17.235 Senior Community Service Employment Program (SCSEP)

Grant No: 703519

Criteria: Under the terms of the grant award, the Organization must visit host agencies with active participants in the program at least twice per twelve month period

Condition: Out of a sample of fifty-one participants, one participant file lacked documentation of two site visits being performed during a twelve month period.

Cause: Staff turnover in this department had resulted in an established process being followed inconsistently

Questioned Costs. Not applicable

Effect: The Organization is non-compliant with the terms of the grant award.

Recommendation The Organization should review established procedures to ensure that each participant’s file is clearly documented with the dates and times of work site visits.

View of Responsible Official and Planned Corrective Action:

Catholic Charities agrees and it had been addressed during the year when the issue was first noticed A new procedure was established resulting in heightened oversight to ensure that the process is consistently followed of documenting each participant’s file with dates and time of work site visits

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

C. Findings and Questioned Costs – Major Federal Award Programs (continued)

2012-2) Monitoring of Sub-recipients

**U.S. Department of Health and Human Services:
Pass through from the Administration for Children and Families,
Office of Refugee Resettlement**

93.583 Refugee and Entrant Assistance – Wilson/Fish Program

Grant No: 90RW0037/02

Criteria. OMB Circular A-133 and the A-102 Common Rule indicate that a pass-through entity is responsible for monitoring the activities of its sub-recipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

Condition: Catholic Charities is the State coordinator and administers the Wilson-Fish Program. In considering the Organization's compliance with its monitoring requirements, we noted that monitoring activities consisted of desk reviews of monthly reimbursement requests and on-site visits. However, the Organization's monitoring process does not include obtaining a sub-recipient's audited financial statements.

Cause: The Organization was unaware of the new requirement of obtaining annual audits.

Questioned Costs: Not applicable

Effect The Organization not obtaining a sub-recipient's audited financial statement could present a risk that non-compliance exists at the sub-recipient level without timely detection by the pass-through entity.

Recommendation: The Organization should develop and document a process for obtaining financial audits and OMB Circular A-133 compliance reports of its sub-recipients. And, if applicable, the Organization should document its follow-up with compliance findings and corrective action plans identified in such reports

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

2012-2) Monitoring of Sub-recipients (continued)

View of Responsible Official and Planned Corrective Action:

Catholic Charities and the sub-recipients, by virtue of being affiliates with USCCB in the resettlement program, all are required to submit an annual audit to USCCB. We agree to establish a policy independent of USCCB and communicate to sub-recipients the necessity of providing to CCDBR a copy of the annual agency audit. CCDBR has already requested the most recent audit report from each sub-recipient.

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Findings and Questioned Costs – Major Federal Award Programs

17.235 Senior Community Service Employment Program (SCSEP)

2011-1 Procurement, Suspension and Debarment

Criteria: Organizations are prohibited from contracting with or making sub-awards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred with the federal government. Covered transactions include those procurement contracts for goods and services awarded under a non-procurement transaction (e.g , grant or cooperative agreement) that are expected to equal or exceed \$25,000.

Condition: The Organization must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300). However, the Organization did not verify whether host agencies were suspended or debarred for 2 of the 51 participant files selected for testing. It was noted that those host agencies selected during our testing were not suspended or debarred.

Cause: The Organization inadvertently overlooked checking the EPLS website to determine if its host agencies had been suspended or debarred.

Questioned Costs. Not applicable

Effect: Without verification of whether host agencies are suspended or debarred the Organization may inadvertently contract with a suspended or debarred entity which could result in the Organization being responsible for refunding any funds paid to those agencies.

Recommendation: A procedure should be developed to ensure that all host agencies are checked with the EPLS website as part of the application process.

Updated Status: Resolved.