CATHOLIC CHARITIES
OF THE DIOCESE OF WORCESTER

Financial Statements and Additional
Information For The Years Ended
June 30, 2016 and 2015
And
Independent Auditors' Reports
(Single Audit Act)

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McCarthy, Hargrave & Co.
Certified Public Accountants

To the Board of Directors of
Catholic Charities of the Diocese of Worcester
Worcester, Massachusetts

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of Catholic Charities of the Diocese of Worcester (a not-for-profit organization) which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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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 Worcester as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2016, on our consideration of Catholic Charities of the Diocese of Worcester'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 Diocese of Worcester's internal control over financial reporting and compliance.

October 25, 2016

McCarthy, Hargrave & Co.

CATHOLIC CHARITIES OF THE DIOCESE OF WORCESTER

Statements of Financial Position

	June 30, 2016	June 30, 2015
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 1,105,663	$ 690,304
Accounts Receivable	864,363	718,001
Accrued Interest Receivable	17,424	-
Prepaid Expenses	600	528
Total Current Assets	1,988,050	1,408,833
Investments	8,091,053	8,242,502
Property and Equipment - Net	570,624	612,291
TOTAL ASSETS	$ 10,649,727	$ 10,263,626
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable and Accrued Expenses	$ 114,631	$ 130,448
Accrued Payroll and Other Liabilities	564,388	514,198
Capital Leases, Short-Term Portion	6,904	9,789
Deferred Revenue	9,200	65,632
Total Current Liabilities	695,123	720,067
Capital Leases - Long-Term Portion	6,324	13,228
TOTAL LIABILITIES	701,447	733,295
Net Assets:		
Unrestricted:		
Board Designated for Capital Needs	859,082	859,082
Property and Equipment	557,396	589,274
Operating	5,513,699	5,056,207
TOTAL UNRESTRICTED NET ASSETS	6,930,177	6,504,563
Temporarily Restricted	342,850	350,515
Permanently Restricted	2,675,253	2,675,253
TOTAL NET ASSETS	9,948,280	9,530,331
TOTAL LIABILITIES AND NET ASSETS	$ 10,649,727	$ 10,263,626

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

CATHOLIC CHARITIES OF THE DIOCESE OF WORCESTER

Statement of Activities

For the Years Ended

	June 30, 2016				June 30, 2015
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenues and Other Support					
Local, State and Federal Government Revenue	$ 7,893,652	$ -	$ -	$ 7,893,652	$ 7,152,185
Partners in Charity	350,000			350,000	350,000
Service Fees	242,628			242,628	253,977
Interest and Dividends	296,877	15,219		312,096	352,293
Grants, Donations and Fundraising	270,571	42,155		312,726	245,654
In-kind Donated Goods and Services	221,743			221,743	201,552
United Ways	157,751			157,751	159,127
Other Income	46,926			46,926	76,718
	9,480,148	57,374	-	9,537,522	8,791,506
Net Assets Released from Restrictions - Satisfaction of Program Restrictions	65,039	(65,039)		-	-
Total Revenues and Other Support	9,545,187	(7,665)	-	9,537,522	8,791,506
Expenses					
Services to People Challenged by Developmental Disabilites:					
Mercy Centre Job Training and Employment Services	475,619			475,619	463,446
Mercy Centre Community Based Adult Day Services	367,681			367,681	381,029
Mercy Centre Day Habilitation Program	747,535			747,535	762,525
	1,590,835	-	-	1,590,835	1,607,000
Services Through Outreach to Parishes and Communities:					
Literacy Services	295,594			295,594	287,645
Crozier House for Men Recovering from Substance Abuse	650,779			650,779	544,351
Refugee Services	167,199			167,199	139,060
Bishop's Thanksgiving and Christmas Dinners	59,246			59,246	49,842
Community Services Programs	389,974			389,974	398,635
	1,562,792	-	-	1,562,792	1,419,533
Services to Frail and Vulnerable Elders:					
Home Care	2,848,908			2,848,908	2,653,005
Senior Aide Employment	875,206			875,206	794,600
	3,724,114	-	-	3,724,114	3,447,605
Services to Families and Children:					
Adoption Information and Search	28,822			28,822	29,045
Parent Aide and Education	299,204			299,204	308,524
Youville House Emergency Shelter for Families	575,973			575,973	583,994
Homeless Prevention	258,477			258,477	214,352
	1,162,476	-	-	1,162,476	1,135,915
Management and General	1,056,083			1,056,083	1,103,452
Total Expenses	9,096,300	-	-	9,096,300	8,713,505
Change in Net Assets Before Realized (Loss) and Unrealized (Loss) on Investments, Legacies and Bequests and Unexpended Unemployment Accrual	448,887	(7,665)	-	441,222	78,001
Realized Loss on Investments	(5,354)			(5,354)	(36,944)
Unrealized Loss on Investments	(207,686)			(207,686)	(106,427)
Legacies and Bequests	189,767			189,767	31,000
Unexpended Unemployment Accrual				-	175,114
	(23,273)	-	-	(23,273)	62,743
Change in Net Assets	425,614	(7,665)	-	417,949	140,744
Net Assets Beginning of the Year	6,504,563	350,515	2,675,253	9,530,331	9,389,587
Net Assets End of the Year	$ 6,930,177	$ 342,850	$ 2,675,253	$ 9,948,280	$ 9,530,331

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

CATHOLIC CHARITIES OF THE DIOCESE OF WORCESTER

Statements of Cash Flows

	For The Year Ended June 30, 2016	2015
Cash Flows From Operating Activities:		
Change in Net Assets	$ 417,949	$ 140,744
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	62,445	85,141
Realized Loss on Investments	5,354	36,944
Unrealized Loss on Investments	207,686	106,427
Accounts Receivable	(146,362)	(41,579)
Accrued Interest Receivable	(17,424)	-
Prepaid Expenses	(72)	28,315
Accounts Payable and Accrued Expenses	(15,817)	(235,515)
Accrued Payroll and Other Liabilities	50,190	(46,305)
Deferred Revenue	(56,432)	46,989
Net Cash Provided By Operating Activities	507,517	121,161
Cash Flows From Investing Activities:		
Proceeds From Sales of Investments	9,036,228	741,345
Purchases of Investments	(9,097,819)	(927,812)
Expenditures for Property and Equipment, Net	(20,778)	(81,101)
Net Cash Used By Investing Activities	(82,369)	(267,568)
Cash Flows From Financing Activities:		
Reduction of Capitalized Lease Obligations	(9,789)	(14,861)
Net Cash Used By Financing Activities	(9,789)	(14,861)
Net Increase (Decrease) in Cash and Cash Equivalents	415,359	(161,268)
Cash and Cash Equivalents at Beginning of Year	690,304	851,572
Cash and Cash Equivalents at End of Year	$ 1,105,663	$ 690,304
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Year For:		
Interest	$ 2,644	$ 3,666

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

CATHOLIC CHARITIES OF THE DIOCESE OF WORCESTER

Statement of Functional Expenses

For the Year Ended June 30, 2016

	Mercy Centre Job Training and Employment Services	Mercy Centre Community Based Adult Day Services	Mercy Centre Day Habilitation Program	Literacy Services	Crozier House	Refugee Services	Bishop's Dinners	Community Services Programs
Expenses								
Salaries and Wages	$ 321,148	$ 249,026	$ 451,810	$ 196,513	$ 361,864	$ 91,377	$ -	$ 173,051
Employee Benefits	32,669	29,248	61,052	36,743	60,840	3,543		19,714
Payroll Taxes and Other Related Costs	27,301	21,221	40,737	14,577	33,294	3,985		13,330
Total Salaries and Related Expenses	381,118	299,495	553,599	247,833	455,998	98,905	-	206,095
Professional Fees and Contracted Services			59,855	7,200				
Travel and Transportation	8,138	13,718	6,175	2,136	149	3,288	618	2,115
Office Expense and Printing Costs	3,750	2,706	4,069	5,643	8,514	3,418	1,324	5,440
Occupancy	31,922	25,723	66,593	19,410	67,088	9,455		34,881
Dues and Subscriptions			100	810				
Advertising		577	638				1,535	
Staff Training and Conferences	282	594	555	4,605	1,400	82		1,098
Client Assistance						49,575		80,543
Food and Related Costs					92,654		37,319	
Equipment and Computer Expenses	3,739	2,136	11,748	2,596	4,211	742		1,998
Client Wages and Related Costs	39,686	14,131						
In-kind Expense							18,450	42,658
Program Supplies and Materials	1,541	3,681	35,675	2,973	12,720	157		5,266
Depreciation	5,443	4,920	8,528	2,388	8,045	1,577		9,880
Total Expenses	$ 475,619	$ 367,681	$ 747,535	$ 295,594	$ 650,779	$ 167,199	$ 59,246	$ 389,974

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

CATHOLIC CHARITIES OF THE DIOCESE OF WORCESTER

Statement of Functional Expenses

For the Year Ended June 30, 2016

(Continued)

	Home Care	Senior Aide Employment	Adoption Information and Referral	Parent Aide and Education	Youville House Emergency Shelter for Families	Homeless Prevention	Total Program and Support Services	Management and General	Total
Expenses									
Salaries and Wages	$2,315,894	$ 74,470	$ 17,609	$ 209,064	$ 396,488	$ 81,908	$4,940,222	$ 634,143	$5,574,365
Employee Benefits	121,021	7,785	4,851	21,331	18,129	12,555	429,481	48,758	478,239
Payroll Taxes and Other Related Costs	256,342	5,785	1,259	16,562	35,558	6,420	476,371	69,419	545,790
Total Salaries and Related Expenses	2,693,257	88,040	23,719	246,957	450,175	100,883	5,846,074	752,320	6,598,394
Professional Fees and Contracted Services				2,570	2,400		72,025	113,678	185,703
Travel and Transportation	13,456	3,522	812	26,201	9,070	3,254	92,652	3,732	96,384
Office Expense and Printing Costs	26,750	6,156	284	8,405	6,913	3,059	86,431	24,265	110,696
Occupancy	62,273	8,218	2,900	6,624	72,357	14,909	422,353	57,087	479,440
Dues and Subscriptions	1,500						2,410	10,579	12,989
Advertising	6,163		312	230	2,447	545	12,447	28,619	41,066
Staff Training & Conferences	2,259	197		1,250	1,309	489	14,120	13,714	27,834
Client Assistance				246	16,172	22,479	169,015		169,015
Food and Related Costs					43		130,016		130,016
Equipment and Computer Expenses	14,457	799	575	1,506	3,183	1,199	48,889	36,921	85,810
Client Wages and Related Costs		716,289					770,106		770,106
In-kind Expense		51,417			1,044	108,174	221,743		221,743
Program Supplies and Materials	26,822	90	27	2,622	4,544	1,453	97,571	7,088	104,659
Depreciation	1,971	478	193	2,593	6,316	2,033	54,365	8,080	62,445
Total Expenses	$2,848,908	$ 875,206	$ 28,822	$ 299,204	$ 575,973	$ 258,477	$8,040,217	$1,056,083	$9,096,300

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

CATHOLIC CHARITIES OF THE DIOCESE OF WORCESTER

Statement of Functional Expenses

For the Year Ended June 30, 2015

	Mercy Centre Job Training and Employment Services	Mercy Centre Community Based Adult Day Services	Mercy Centre Day Habilitation Program	Literacy Services	Crozier House	Refugee Services	Bishop's Dinners	Community Services Programs
Expenses								
Salaries and Wages	$ 303,122	$ 248,693	$ 451,757	$ 190,975	$ 285,329	$ 84,990	$ -	$ 196,228
Employee Benefits	26,720	25,322	58,284	31,217	50,213	2,392		38,096
Payroll Taxes and Other Related Costs	26,574	21,316	41,173	14,752	27,331	3,926		14,658
Total Salaries and Related Expenses	356,416	295,331	551,214	236,944	362,873	91,308	-	248,982
Professional Fees and Contracted Services			31,244	2,400		255		
Travel and Transportation	10,196	12,872	7,841	1,913	204	2,002	800	2,091
Office Expense and Printing Costs	6,845	5,022	8,317	4,147	12,793	4,688	1,142	11,087
Occupancy	29,900	37,526	86,289	18,083	52,333	8,064		40,044
Dues and Subscriptions	44	34	54	1,065	475	28		7
Advertising	1,468	205	14,468	703	298		1,573	200
Staff Training and Conferences	555	1,074	1,486	9,726	1,550	142		1,403
Client Assistance						29,775		43,757
Food and Related Costs					94,143		32,783	
Equipment and Computer Expenses	3,821	2,450	7,595	7,158	5,303	1,170		5,511
Client Wages and Related Costs	42,949	15,299						
In-kind Expense							13,544	34,273
Program Supplies and Materials	1,772	2,477	34,986	3,228	6,212	80		3,333
Depreciation	9,480	8,739	19,031	2,278	8,167	1,548		7,947
Total Expenses	$ 463,446	$ 381,029	$ 762,525	$ 287,645	$ 544,351	$ 139,060	$ 49,842	$ 398,635

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

CATHOLIC CHARITIES OF THE DIOCESE OF WORCESTER

Statement of Functional Expenses

For the Year Ended June 30, 2015

(Continued)

	Home Care	Senior Aide Employment	Adoption Information and Referral	Parent Aide and Education	Youville House Emergency Shelter for Families	Homeless Prevention	Total Program and Support Services	Management and General	Total
Expenses									
Salaries and Wages	$2,145,200	$ 58,700	$ 17,780	$ 204,837	$ 388,840	$ 61,267	$4,637,718	$ 647,393	$5,285,111
Employee Benefits	124,796	5,541	4,215	31,215	21,833	7,746	427,590	56,015	483,605
Payroll Taxes and Other Related Costs	250,853	4,644	1,286	15,476	36,514	4,761	463,264	92,850	556,114
Total Salaries and Related Expenses	2,520,849	68,885	23,281	251,528	447,187	73,774	5,528,572	796,258	6,324,830
Professional Fees and Contracted Services				2,370			36,269	128,699	164,968
Travel and Transportation	17,579	2,756	609	33,641	6,910	2,830	102,244	3,817	106,061
Office Expense and Printing Costs	28,932	5,631	822	10,635	13,150	2,667	115,878	24,402	140,280
Occupancy	43,128	10,673	3,372	5,962	83,827	13,629	432,830	56,121	488,951
Dues and Subscriptions	1,500	11	6	31	189	1,767	5,211	9,623	14,834
Advertising	4,721				721	1,286	25,643	17,933	43,576
Staff Training & Conferences	1,916	42		397	1,226	627	20,144	20,602	40,746
Client Assistance						19,066	92,598		92,598
Food and Related Costs					166		127,092		127,092
Equipment and Computer Expenses	12,086	670	705	1,311	7,486	841	56,107	25,874	81,981
Client Wages and Related Costs		650,136					708,384		708,384
In-kind Expense		55,160			2,525	96,050	201,552		201,552
Program Supplies and Materials	20,930	88	16	1,031	5,143	53	79,349	13,162	92,511
Depreciation	1,364	548	234	1,618	15,464	1,762	78,180	6,961	85,141
Total Expenses	$2,653,005	$ 794,600	$ 29,045	$ 308,524	$ 583,994	$ 214,352	$7,610,053	$1,103,452	$8,713,505

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

CATHOLIC CHARITIES OF THE DIOCESE OF WORCESTER

Notes to Financial Statements

For the Years Ended June 30, 2016 and 2015

Organization:

Catholic Charities of the Diocese of Worcester is a not-for-profit organization incorporated under the laws of the Commonwealth of Massachusetts. Catholic Charities is dedicated to providing extensive social service programs to help people challenged by developmental disabilities, frail and vulnerable elders, families and children. The Organization also provides services through outreach to parishes and communities.

The specific program services rendered are as follows:

Services to People Challenged by Developmental Disabilities:

Mercy Centre Job Training and Employment Services supports and trains adults with developmental disabilities to accomplish meaningful work in society, and helps them find such employment.

Mercy Centre Community Based Adult Day Services provides support and opportunities for adults with developmental disabilities, to enrich their lives and enjoy a full range of community activities while developing a network of caring relationships.

Mercy Centre Day Habilitation Program provides adults with intellectual disabilities or another developmental disability with day habilitation services, integrated activities and therapies necessary to reach stated goals and objectives.

Services Through Outreach to Parishes and Communities:

Literacy Services include literacy services to adults, the homeless, and education for citizenship training.

Crozier House for Men Recovering from Substance Abuse is a residential program for substance abusing men.

Refugee Services include resettlement services for refugees and immigrants, case management for refugees and citizenship examination.

Bishop's Thanksgiving and Christmas Dinners provide home delivered meals to the homebound, and a congregate meal to those in search of fellowship on both holidays.

Community Services Programs are provided by Area Offices in South Worcester County, North Worcester County, Greater Milford/Blackstone Valley and Worcester. They include education programs to help people overcome poverty and homelessness, emergency assistance, information and referral and advocacy.

Services to the Frail and Vulnerable Elders:

Home Care provides Homemakers, Personal Care Attendants, Chore Workers and Companions to help the elderly and disabled people to remain in their homes.

Senior Aide Employment provides employment opportunities for older workers.

Services to Families and Children:

Adoption Information and Referral services, including adoption history services and adoption search.

Parent Aide and Education, including a Family Resource Center, is provided in the South Worcester County Office.

Youville House Emergency Shelter for Families provides temporary housing for homeless families along with many other services to help them find and maintain permanent housing.

Homeless Prevention helps individuals and families remain in their homes via education, advocacy and material assistance.

A. Summary of Significant Accounting Policies and Other Information:

Basis of Statements – The financial statements have been prepared on the accrual basis. Under this method of accounting, expenses are recorded as incurred and income is recorded when earned.

Promises to Give – Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction is satisfied or expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Unrestricted Net Assets – Included in unrestricted net assets are amounts that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily Restricted Net Assets – Temporarily restricted net assets include amounts resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. When a donor’s restriction is satisfied or expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Permanently Restricted Net Assets – Permanently restricted net assets are amounts resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

A. Summary of Significant Accounting Policies and Other Information (Continued):

Property and Equipment – Buildings, improvements and equipment are recorded at cost. Expenditures for maintenance, repairs and renewals are charged to expense as incurred, whereas, major betterments are capitalized as additions to property. All of the assets are depreciated on the straight-line method based upon their estimated useful lives.

Cash and Cash Equivalents – For purposes of the Statement of Cash Flows, the Organization considers all cash, interest bearing deposits, and highly liquid debt instruments purchased with a maturity of three months or less to be cash and cash equivalents.

Deferred Revenue - The Organization records fiscal year and calendar year grants as deferred revenue until the services for those programs are provided, at which time the income is earned and is recognized as revenue.

Functional Allocation of Expenses - The costs of providing the various programs and activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated to programs and supporting services.

Advertising Expenses – The Organization expenses advertising expenses as incurred. Such expenses were $ 41,066 and $ 43,576 in 2016 and 2015, respectively.

Use of Estimates – The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the Organization's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Organization's management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

Accounts Receivable – Accounts receivable are recorded net of an allowance for expected losses. The allowance is estimated from historical performance and projections of trends. Collateral is not required. An allowance for doubtful accounts was not required as of June 30, 2016 and 2015.

Income Taxes – Donors may deduct contributions made within the Internal Revenue Code regulations. The Organization is exempt from Federal income taxes as an organization formed under Section 501 (c) 3 of the Internal Revenue Code. However, during 2016 and 2015 the Organization paid income tax on unrelated business income from easement revenue for a cell phone antenna at their Mercy Centre location. As of June 30, 2016 and 2015 the Organization expensed and paid income taxes of $ 6,286 and $ 6,117, respectively. In addition, there are no unrecognized tax benefits and income tax returns remain subject to examination by major tax jurisdictions for the standard three-year statute of limitations.

A. Summary of Significant Accounting Policies and Other Information (Continued):

Investments – Investments are recorded at fair value. Unrestricted, temporarily restricted, and permanently restricted assets are invested together and managed by an investment advisor. All investments are held by Charles Schwab, Christian Brothers Investment Services, Inc. and First Financial Trust.

Fair Value Measurements – Fair Value Measurements establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Level 1 Inputs – Quoted prices for identical assets or liabilities in active markets;

Level 2 Inputs – Quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets in inactive markets; or inputs other than quoted prices that are observable, such as models or other valuation methodologies;

Level 3 Inputs – Unobservable inputs for where there is little, if any, market activity.

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

B. Investments:

The following summarizes the cost and fair value of long-term investments:

	June 30,			
	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Unrestricted Assets	$ 5,304,854	$ 5,415,800	$ 5,248,617	$ 5,567,249
Permanently Restricted Assets	2,675,253	2,675,253	2,675,253	2,675,253
	$ 7,980,107	$ 8,091,053	$ 7,923,870	$ 8,242,502

B. Investments (Continued):

	June 30, 2016		June 30, 2015	
	Cost	Fair Value	Cost	Fair Value
Level I				
Equity Mutual Funds	$ 4,568,441	$ 4,576,432	$ 559,741	$ 643,413
Bond Mutual Fund	380,712	382,127	-	-
Certificates of Deposit	239,880	239,880	212,304	212,304
Money Market Funds	43,651	43,651	310,010	310,010
Equities:				
Financial Sector	-	-	619,820	680,094
Utilities	-	-	333,032	442,095
Consumer Discretionary	-	-	343,336	427,776
Energy	-	-	400,363	388,670
Consumer Staples	-	-	380,341	376,611
Information Technology	-	-	233,563	328,073
Telecommunication Services	-	-	226,593	265,430
Materials	-	-	271,411	165,853
Healthcare	-	-	121,243	109,230
Industrials	-	-	97,690	96,910
Exchange Traded Funds – Equity	-	-	444,980	402,815
Preferred Stocks – Financial Sector	-	-	275,000	279,380
Traded Partnerships	-	-	111,076	83,475
	5,232,684	5,242,090	4,940,503	5,212,139
Level 2				
Corporate Bonds	1,150,482	1,160,896	2,359,342	2,407,503
Municipal Bonds	860,134	869,684	-	-
U.S. Treasuries	608,902	625,479	-	-
U. S. Savings Bonds	1,358	1,358	1,314	1,314
Collateralized Mortgage Obligations	-	-	159,062	146,481
Foreign Bonds	-	-	325,914	330,631
	2,620,876	2,657,417	2,845,632	2,885,929
Level 3				
Real Estate Limited Partnerships	126,547	191,546	124,247	130,946
Real Estate Limited Partnership – Debenture	-	-	13,488	13,488
	126,547	191,546	137,735	144,434
	$ 7,980,107	$ 8,091,053	$ 7,923,870	$ 8,242,502

The investments had unrealized gains of $ 110,946 as of June 30, 2016 and $ 318,632 as of June 30, 2015.

Level 3 investments had a net increase in fair value of $ 47,112. The increase is due to $ 75,000 invested in to another real estate limited partnership, return of capital of $ 86,188 and unrealized gains of $ 58,300.

CATHOLIC CHARITIES OF THE DIOCESE OF WORCESTER

Notes to Financial Statements

For the Years Ended June 30, 2016 and 2015

(Continued)

C. Property and Equipment - Net:

	June 30, 2016	June 30, 2015
Buildings	$ 2,082,405	$ 2,082,405
Building Improvements	1,250,647	1,229,869
Computer Equipment	285,239	285,239
Office Equipment	88,127	88,127
Furniture and Equipment Program	177,178	177,178
Vehicles	152,794	152,794
Office Furniture	114,632	114,632
Land	42,021	42,021
Program Furnishings (Residential Only)	40,219	40,219
Land Improvements	26,898	26,898
Idle Assets	85,065	85,065
Total Property and Equipment	4,345,225	4,324,447
Less Accumulated Depreciation	3,774,601	3,712,156
Property and Equipment – Net	$ 570,624	$ 612,291

Idle assets consist of a building and building improvements that are no longer being used.

D. Changes in Permanently Restricted Net Assets:

On July 2, 2009, the Commonwealth of Massachusetts enacted the Uniform Prudent Management of Institutional Funds into law. As a result, the Organization may, subject to the intent of a donor expressed in a gift instrument, appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent. It is the policy of the Organization to appropriate the total investment return of the endowment fund each year.

The permanently restricted net assets consist of the following:

Forward In Faith Endowment and Foley Endowment

Donor's permanent restrictions require that $ 2,500,000 of principal as of June 30, 2016 and 2015 be held as a permanent source of income. Net investment income earned is unrestricted for the operations of the Organization.

D. Changes in Permanently Restricted Net Assets (Continued):

Flynn, Krasnecky, and Marshall Endowments

Donors' permanent restrictions require that $ 175,253 of principal as of June 30, 2016 and 2015 be held as a permanent source of income. Net investment income earned is temporarily restricted for specific designated purposes.

The following summarizes the changes in Endowment Funds:

	June 30, 2016	June 30, 2015
Endowment Net Assets Beginning of Year	$ 2,675,253	$ 2,675,253
Investment Return:		
Interest and Dividends	104,627	121,407
Realized Losses on Investments	(1,795)	(12,997)
Total Investment Return	102,832	108,410
Appropriation of Endowment:		
For Operations	(98,390)	(102,840)
Temporarily Restricted	(4,442)	(5,570)
Total Appropriations	(102,832)	(108,410)
Endowment Net Assets End of Year	$ 2,675,253	$ 2,675,253

E. Retirement Plan:

The Organization participates in a defined contribution retirement plan through the Diocese of Worcester for the benefit of eligible employees and the Organization contributes up to 4% of the annual salary of participating employees. The cost of the plan for the years ended June 30, 2016 and 2015 was $ 89,230 and $ 91,341, respectively.

F. Related Party Transactions:

The Organization's administration complex at 10 Hammond Street in Worcester, Massachusetts and its Leominster Area office located at 196 Mechanic Street in Leominster, Massachusetts are owned by the Diocese of Worcester. The Bishop of the Diocese of Worcester is an Ex Officio member of the Board of Directors of Catholic Charities. Catholic Charities does not pay rent for the Hammond Street facility, but is responsible for maintenance of the property, which is estimated to approximate fair market value. Rental payments for the Mechanic Street facility are also estimated to approximate fair market value.

F. Related Party Transactions (Continued):

The Organization's Area Office located at 9 Spring Street in Whitinsville, Massachusetts is owned by the House of Affirmation Corporation. The Organization does not pay rent for the facility, but is responsible for utilities, property insurance and maintenance of the property, which is estimated to approximate fair market value.

A former Board Member is employed by one of the law firms used by the Organization. For the years ended June 30, 2016 and 2015, the Organization incurred expenses of $ 600 and $ 3,603, respectively to the Board Member's firm. As of June 30, 2016 there was nothing owed to the law firm and as of June 30, 2015 there was $1,901 owed.

The Organization rents space at its Athol location to a customer. The customer is a tenant at will and pays $ 150 a month. The Organization collected $ 1,800 in rental income for the years ended June 30, 2016 and 2015. As of June 30, 2016 and 2015 there was nothing due from the tenant.

A Board Member is the Controller of a family owned plumbing business. For the years ended June 30, 2016 and 2015, the Organization incurred expenses of $ 633 and $ 1,607, respectively. There was nothing owed to the Board Member's family owned plumbing business as of June 30, 2016 and as of June 30, 2015 there was $ 114 owed.

G. Capital Lease Obligations:

The Organization leases vehicles and office equipment. The leases are payable in monthly installments through July 2017 with interest ranging from 8.7% to 16.1%. Interest expense attributed to these leases as of June 30, 2016 and 2015 amounted to $ 2,644 and $ 3,666, respectively.

The following is a summary of future minimum payments under the capitalized leases:

Fiscal years ending June 30:

2017	$ 8,412
2018	6,777
	15,189
Less Amount Representing Interest	1,961
Present Value of Minimum Capitalized Lease Payments	13,228
Less Short-Term Portion Included in Current Liabilities	6,904
Long-Term Portion of Capital Lease	$ 6,324

The Assets acquired through Capital Leases are as follows:

Vehicles and Office Equipment	$ 45,900
Less Accumulated Depreciation	34,839
	$ 11,061

H. Temporarily Restricted Net Assets:

Temporarily restricted net assets are available for programs in the following locations:

	June 30, 2016	June 30, 2015
Mercy Centre	$ 132,005	$ 142,392
Entire Agency	118,156	119,091
Southbridge Area Office	57,156	48,381
Whitinsville Area Office	35,533	37,820
Entire Agency – Home Care	-	2,831
	$ 342,850	$ 350,515

Assets released from temporary restrictions were as follows:

	June 30, 2016	June 30, 2015
Mercy Centre:		
Technology Assistance & Program Enhancement	$ 40,392	$ 16,678
Adult Program Support	-	5,083
Capital Improvements	-	1,500
Whitinsville Area Office:		
General Relief and Assistance	9,429	19,440
Fuel Assistance	1,905	-
Southbridge Area Office:		
Parent Skills Program	3,030	2,906
Healthcare Assistance	-	25,287
Building Improvements	-	22,238
Entire Agency:		
Homecare Services	2,922	77
Gifts for Children	-	148
Worcester Area Office:		
Emergency Assistance	7,361	5,000
Citizenship Education	-	18,000
Total Releases From Temporary Restrictions	$ 65,039	$ 116,357

I. Environmental Issue:

The Organization has subsurface oil contamination that was discovered in 1995 during the excavation and decommissioning of an underground fuel oil storage tank. Consultants for the Organization have implemented a remediation system to minimize the risk of off-site migration of contaminants and to recover oil from wells located on the property which is leased from the Diocese of Worcester. Continued operation and monitoring of this system is required in order to remain in compliance with State environmental regulations and to the best of our knowledge, the system is in compliance with applicable regulations. Costs associated with monitoring the site as of June 30, 2016 and 2015 amounted to $5,250 for each year.

J. Fundraising Expenses:

The estimated amount of fundraising expenses provided by several United Ways varies up to approximately eighteen percent of amounts allocated to its agencies. United Ways' fundraising expenses include staffing costs to operate the annual campaign, process pledges and distribute monthly allocations.

K. Concentrations of Credit and Market Risk:

Financial instruments that potentially expose the Organization to concentrations of credit and market risk consist primarily of cash and cash equivalents and investments. Cash and cash equivalents are maintained at high-quality financial institutions and credit exposure is limited. The Organization has not experienced any losses on its cash and cash equivalents. The Organization's investments do not represent significant concentrations of market risk inasmuch as the Organization's investment portfolio is adequately diversified among issuers.

L. Contingency:

The Organization receives financial assistance in the form of federal and state contracts. Entitlement to these resources is generally conditioned upon compliance with terms and conditions of contracts and budgets and applicable regulations including the expenditures of the resources for eligible purposes. Substantially all contracts are subject to financial and compliance audits by each funding source. Any disallowances, as a result of audits become a liability of the Organization. As of June 30, 2016, the Organization does not anticipate any material liabilities will result from such audits.

M. Changes in Temporarily Restricted Net Assets:

	For the Year Ended June 30,	
	2016	**2015**
Grants, Donations and Fundraising	$ 15,219	$ 37,183
Interest and Dividends	42,155	12,425
	57,374	49,608
Net Assets Released from Restrictions:		
Satisfaction of Program Restrictions	(65,039)	(116,357)
Change in Temporarily Restricted Net Assets Before Legacies and Bequests	(7,665)	(66,749)
Legacies and Bequests	-	25,000
Change in Temporarily Restricted Net Assets	(7,665)	(41,749)
Temporarily Restricted Net Assets Beginning of the Year	350,515	392,264
Temporarily Restricted Net Assets End of the Year	$ 342,850	$ 350,515

N. Date Through Which Subsequent Events Have Been Evaluated:

The Organization has evaluated all material subsequent events from the end of the fiscal year through October 25, 2016, the date the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2016 that required recognition or disclosure in these financial statements.

O. Change in Net Assets and State Surplus Revenue Retention:

The Commonwealth of Massachusetts has established regulations, which limit the amount of surplus revenue an organization may retain in any year and cumulatively under state unit rate contracts. Specifically, an organization may retain annually a surplus of up to five percent of total revenues attributable to or generated by Commonwealth agreements for the provision of Social Services and a cumulative amount of such surpluses up to a maximum of twenty percent of the organization’s prior year’s gross revenues derived from Commonwealth purchasing agencies. Any excess revenues above the aforementioned limits are subject to recoupment by the Commonwealth.

CATHOLIC CHARITIES OF THE DIOCESE OF WORCESTER

Notes to Financial Statements

For the Years Ended June 30, 2016 and 2015

(Continued)

O. Change in Net Assets and State Surplus Revenue Retention (Continued):

	Unrestricted							
	Operating				Combined	Temporarily	Permanently	
	Organization	State	%	Plant	Total	Restricted	Restricted	Total
Balances at June 30, 2014	$ 18,860,913	($ 13,117,296)	(213.30)	$ 578,453	$ 6,322,070	$ 392,264	$ 2,675,253	$ 9,389,587
Change In Net Assets	224,576	(42,083)	(6.43)		182,493	(41,749)		140,744
Equipment Acquisitions with Operating Funds	(81,101)			81,101				-
Decrease in Capitalized Lease Obligations	(14,861)			14,861				-
Depreciation	85,141			(85,141)				-
Balances at June 30, 2015	$ 19,074,668	($ 13,159,379)	(230.01)	$ 589,274	$ 6,504,563	$ 350,515	$ 2,675,253	$ 9,530,331
Change In Net Assets	286,696	138,918	2.19		425,614	(7,665)		417,949
Equipment Acquisitions with Operating Funds	(20,778)			20,778				-
Decrease in Capitalized Lease Obligations	(9,789)			9,789				-
Depreciation	62,445			(62,445)				-
Balances at June 30, 2016	$ 19,393,242	($ 13,020,461)	(210.09)	$557,396	$6,930,177	$ 342,850	$2,675,253	$ 9,948,280

CATHOLIC CHARITIES OF THE DIOCESE OF WORCESTER

Supplementary Schedule of Expenditures of Federal Awards
For The Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U. S. Department of Health and Human Services:				
Refugee and Entrant Assistance – State-Administered Programs – Pass-Thru From:				
Office of Refugee and Immigrants	93.566	CTORI010015RCM000006		$ 2,599
Refugee and Entrant Assistance – Wilson/Fish Program – Pass-Thru From:				
Office of Refugee and Immigrants	93.583	CTORI010015RCM000006		20,643
Block Grants for Prevention and Treatment of Substance Abuse – Pass Through From:				
Massachusetts Department of Public Health	93.959	SCDPH230453991330000		87,721
Total U.S. Department of Health and Human Services				$ 110,963
U. S. Department of Agriculture –				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program – Pass-Thru From –				
Snap Contract UMass	10.561	N/A		$ 8,364
Emergency Food Assistance Program (Food Commodities) – Pass-Thru From –				
Worcester County Food Bank	10.569	N/A		151,676
				$ 160,040
Department of State, Bureau of Population, Refugees, and Migration –				
U. S. Refugee Admissions Program – Pass-Thru From:				
United States Conference of Catholic Bishops – Migration and Refugee Services	19.510	N/A		$ 88,600

CATHOLIC CHARITIES OF THE DIOCESE OF WORCESTER

Schedule of Expenditures of Federal Awards
For The Year Ended June 30, 2016

(Continued)

Federal Grantor/Pass-Through Grantor	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U. S. Department of Labor:				
Senior Community Service Employment Program – Pass-Thru From – Senior Service America, Inc.	17.235	N/A		$ 817,237
Department of Homeland Security –				
Emergency Food and Shelter National Board Program – Pass Thru From – Worcester County Emergency Food and Shelter Program c/o United Way of Central Massachusetts	97.024	N/A		$ 55,015
Total Expenditures of Federal Awards				$ 1,231,865

The accompanying notes are an integral part of this schedule.

CATHOLIC CHARITIES OF THE DIOCESE OF WORCESTER

Notes to the Supplementary Schedule of Expenditures of Federal Awards
For The Year Ended June 30, 2016

Note 1: Basis of Presentation:

The accompanying supplementary schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Catholic Charities of the Diocese of Worcester under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U. S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Catholic Charities of the Diocese of Worcester, it is not intended to and does not present the financial position, changes in net assets or cash flows of Catholic Charities of the Diocese of Worcester.

Note 2: Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3: Indirect Cost Rate:

Catholic Charities of the Diocese of Worcester has elected not to use the 10-percent De Minimis indirect cost rate allowed under the Uniform Guidance.

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 Worcester
Worcester, Massachusetts

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 Diocese of Worcester (a not-for-profit organization), which comprise the statement of financial position as of June 30, 2016, 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 October 25, 2016.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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 those 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 of the Diocese of Worcester's 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 Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

October 25, 2016

McCarthy, Hargrave & Co.

McCarthy, Hargrave & Co.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To The Board of Directors
Catholic Charities of the Diocese of Worcester
Worcester, Massachusetts

Report on Compliance for Each Major Federal Program

We have audited Catholic Charities of the Diocese of Worcester's (a not-for-profit organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Catholic Charities of the Diocese of Worcester's major federal program for the year ended June 30, 2016. Catholic Charities of the Diocese of Worcester's major federal program is 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 Catholic Charities of the Diocese of Worcester's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, Uniform *Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards of the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Catholic Charities of the Diocese of Worcester's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for its major federal program. However, our audit does not provide a legal determination of Catholic Charities of the Diocese of Worcester's compliance.

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Opinion on Each Major Federal Program

In our opinion, Catholic Charities of the Diocese of Worcester complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of Catholic Charities of the Diocese of Worcester is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Catholic Charities of the Diocese of Worcester's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Catholic Charities of the Diocese of Worcester's internal control over compliance.

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

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

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

October 25, 2016

McCarthy, Hargrave & Co.

CATHOLIC CHARITIES OF THE DIOCESE OF WORCESTER

Schedule of Findings And Questioned Costs
Year Ended June 30, 2016

Section I - Summary of Audit Results

Financial Statements

The auditors' report expresses an unmodified opinion on the financial statements of Catholic Charities of the Diocese of Worcester.

Internal control over financial reporting:

• Material weakness(es) identified?		Yes	X	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?		Yes	X	No
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 are not considered to be material weakness(es)?		Yes	X	No

The auditors' report on compliance for the major federal award program for Catholic Charities of the Diocese of Worcester expresses an unmodified opinion.

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR Section 200.516(a)?		Yes	X	No

The program tested as a major program was:

Senior Community Service Employment Program	17.235	$ 817,237

Dollar threshold used to distinguish between type A and type B programs: $ 750,000

Auditee qualified as low-risk auditee?	X	Yes		No

Section II – Financial Statement Findings

None Reported

Section III – Federal Award Findings and Questioned Costs

None Reported

CATHOLIC CHARITIES OF THE DIOCESE OF WORCESTER

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2016

None.