CATHOLIC CHARITIES
OF THE DIOCESE OF WORCESTER

Financial Statements and Additional Information For The Years Ended June 30, 2018 and 2017
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, 2018 and 2017, 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, 2018 and 2017, 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 31, 2018, 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 solely 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 31, 2018

McCarthy, Hargrave & Co.

CATHOLIC CHARITIES OF THE DIOCESE OF WORCESTER

Statements of Financial Position

	June 30, 2018	June 30, 2017
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 1,112,160	$ 917,683
Accounts Receivable	850,931	815,600
Accrued Interest Receivable	21,728	20,763
Prepaid Expenses	26,381	1,382
Total Current Assets	2,011,200	1,755,428
Investments	8,905,866	9,015,731
Property and Equipment - Net	540,152	580,443
TOTAL ASSETS	$ 11,457,218	$ 11,351,602
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable and Accrued Expenses	$ 167,045	$ 127,671
Accrued Payroll and Other Liabilities	365,026	352,562
Capital Leases, Short-Term Portion	-	6,324
Deferred Revenue	31,561	42,209
Total Current Liabilities	563,632	528,766
Net Assets:		
Unrestricted:		
Board Designated for Capital Needs	859,082	859,082
Property and Equipment	540,152	574,119
Operating	6,512,021	6,413,049
TOTAL UNRESTRICTED NET ASSETS	7,911,255	7,846,250
Temporarily Restricted	307,078	301,333
Permanently Restricted	2,675,253	2,675,253
TOTAL NET ASSETS	10,893,586	10,822,836
TOTAL LIABILITIES AND NET ASSETS	$ 11,457,218	$ 11,351,602

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

CATHOLIC CHARITIES OF THE DIOCESE OF WORCESTER
Statements of Activities

For the Years Ended

	June 30, 2018				June 30, 2017
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenues and Other Support					
Local, State and Federal Government Revenue	$ 8,191,579	$ -	$ -	$ 8,191,579	$ 8,074,463
Partners in Charity	350,000			350,000	350,000
Service Fees	229,788			229,788	279,692
Interest and Dividends	206,197	4,257		210,454	275,954
Grants, Donations and Fundraising	298,382	102,639		401,021	306,077
In-kind Donated Goods and Services	266,052			266,052	214,453
United Ways	155,083			155,083	157,537
Other Income	46,640			46,640	124,754
	9,743,721	106,896	-	9,850,617	9,782,930
Net Assets Released from Restrictions - Satisfaction of Program Restrictions	101,151	(101,151)		-	-
Total Revenues and Other Support	9,844,872	5,745	-	9,850,617	9,782,930
Expenses					
Services to People Challenged by Developmental Disabilites:					
Mercy Centre Job Training and Employment Services	490,442			490,442	406,732
Mercy Centre Community Based Adult Day Services	476,410			476,410	449,341
Mercy Centre Day Habilitation Program	786,409			786,409	842,723
	1,753,261	-	-	1,753,261	1,698,796
Services Through Outreach to Parishes and Communities:					
Literacy Services	304,082			304,082	286,946
Crozier House for Men Recovering from Substance Abuse	846,371			846,371	795,683
Refugee Services	98,235			98,235	159,601
Community Services Programs	918,689			918,689	764,048
	2,167,377	-	-	2,167,377	2,006,278
Services to Frail and Vulnerable Elders:					
Home Care	3,181,106			3,181,106	3,064,194
Senior Aide Employment	769,607			769,607	808,017
	3,950,713	-	-	3,950,713	3,872,211
Services to Families and Children:					
Adoption Information and Search	21,719			21,719	29,038
Parent Aide and Education	354,235			354,235	332,241
Youville House Emergency Shelter for Families	581,461			581,461	585,062
	957,415	-	-	957,415	946,341
Management and General	1,393,204			1,393,204	1,047,027
Total Expenses	10,221,970	-	-	10,221,970	9,570,653
Change in Net Assets Before Realized Gain and Unrealized Gain on Investments, Legacies and Bequests	(377,098)	5,745	-	(371,353)	212,277
Realized Gain on Investments	129,286			129,286	5,826
Unrealized Gain on Investments	312,817			312,817	647,914
Legacies and Bequests	-			-	8,539
	442,103	-	-	442,103	662,279
Change in Net Assets	65,005	5,745	-	70,750	874,556
Net Assets Beginning of the Year	7,846,250	301,333	2,675,253	10,822,836	9,948,280
Net Assets End of the Year	$ 7,911,255	$ 307,078	$ 2,675,253	$ 10,893,586	$ 10,822,836

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, 2018	2017
Cash Flows From Operating Activities		
Change in Net Assets	$ 70,750	$ 874,556
Adjustments to Reconcile Change in Net Assets to Net Cash (Used) Provided by Operating Activities:		
Depreciation	74,966	59,318
Realized Gain on Investments	(129,286)	(5,826)
Unrealized Gain on Investments	(312,817)	(647,914)
Accounts Receivable	(35,331)	48,763
Accrued Interest Receivable	(965)	(3,339)
Prepaid Expenses	(24,999)	(782)
Accounts Payable and Accrued Expenses	39,374	13,040
Accrued Payroll and Other Liabilities	12,464	(211,826)
Deferred Revenue	(10,648)	33,009
Net Cash (Used) Provided By Operating Activities	(316,492)	158,999
Cash Flows From Investing Activities		
Proceeds From Sales of Investments	851,599	54,174
Purchases of Investments	(299,631)	(325,112)
Expenditures for Property and Equipment, Net	(34,675)	(69,137)
Net Cash Provided (Used) by Investing Activities	517,293	(340,075)
Cash Flows From Financing Activities:		
Reduction of Capitalized Lease Obligations	(6,324)	(6,904)
Net Cash Used By Financing Activities	(6,324)	(6,904)
Net Increase (Decrease) in Cash and Cash Equivalents	194,477	(187,980)
Cash and Cash Equivalents at Beginning of Year	917,683	1,105,663
Cash and Cash Equivalents at End of Year	$ 1,112,160	$ 917,683
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Year For:		
Interest	$ 467	$ 1,508

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, 2018

	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	Community Services Programs
Expenses							
Salaries and Wages	$ 318,168	$ 308,428	$ 471,957	$ 177,697	$ 485,559	$ 60,448	$ 343,903
Employee Benefits	61,524	36,728	57,326	41,318	53,752	2,457	37,683
Payroll Taxes and Other Related Costs	25,941	27,336	41,646	14,876	46,582	2,393	27,391
Total Salaries and Related Expenses	405,633	372,492	570,929	233,891	585,893	65,298	408,977
Professional Fees and Contracted Services			85,113	6,000		100	338
Travel and Transportation	20,987	7,397	7,728	4,059	184	1,495	6,400
Office Expense and Printing Costs	2,815	3,427	4,347	2,423	12,115	2,389	11,199
Occupancy	24,813	32,113	66,216	45,075	100,572	6,629	71,080
Dues and Subscriptions			100	810			285
Advertising	306	66	80	961			5,008
Staff Training and Conferences	209	223	246	1,592	1,680		423
Client Assistance						21,375	101,109
Food and Related Costs			53		115,027		45,633
Equipment and Computer Expenses	2,230	2,754	3,879	5,089	5,047	186	3,460
Client Wages and Related Costs	24,311	48,664					
In-kind Expense							213,200
Program Supplies and Materials	4,885	4,346	40,984	1,619	13,991	172	36,414
Depreciation	4,253	4,928	6,734	2,563	11,862	591	15,163
Total Expenses	$ 490,442	$ 476,410	$ 786,409	$ 304,082	$ 846,371	$ 98,235	$ 918,689

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, 2018

(Continued)

	Home Care	Senior Aide Employment	Adoption Information and Referral	Parent Aide and Education	Youville House Emergency Shelter for Families	Total Program and Support Services	Management and General	Total
Expenses								
Salaries and Wages	$ 2,536,560	$ 78,531	$ 17,580	$ 252,733	$ 408,615	$ 5,460,179	$ 829,571	$ 6,289,750
Employee Benefits	140,274	8,372	1,820	24,026	13,432	478,712	72,746	551,458
Payroll Taxes and Other Related Costs	277,265	7,993	1,457	21,358	41,033	535,271	135,600	670,871
Total Salaries and Related Expenses	2,954,099	94,896	20,857	298,117	463,080	6,474,162	1,037,917	7,512,079
Professional Fees and Contracted Services	338			75	2,000	93,964	135,347	229,311
Travel and Transportation	48,221	4,043	48	22,225	9,547	132,334	9,091	141,425
Office Expense and Printing Costs	26,148	7,316	175	10,053	6,624	89,031	22,855	111,886
Occupancy	79,301	8,252	128	11,708	77,280	523,167	43,168	566,335
Dues and Subscriptions	2,000					3,195	13,144	16,339
Advertising	3,134	631		753		10,939	26,389	37,328
Staff Training & Conferences	3,044	74		1,181	792	9,464	29,623	39,087
Client Assistance					6,089	128,573		128,573
Food and Related Costs					286	160,999		160,999
Equipment and Computer Expenses	16,872	422	511	604	3,939	44,993	53,590	98,583
Client Wages and Related Costs		603,407				676,382		676,382
In-kind Expense		49,304			348	262,852	3,200	266,052
Program Supplies and Materials	36,120	341		6,267	5,839	150,978	11,647	162,625
Depreciation	11,829	921		3,252	5,637	67,733	7,233	74,966
Total Expenses	$ 3,181,106	$ 769,607	$ 21,719	$ 354,235	$ 581,461	$ 8,828,766	$ 1,393,204	$ 10,221,970

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, 2017

	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	Community Services Programs
Expenses							
Salaries and Wages	$ 246,729	$ 302,228	$ 466,648	$ 187,273	$ 491,516	$ 81,396	$ 276,403
Employee Benefits	32,332	36,645	52,054	37,067	58,182	5,695	38,985
Payroll Taxes and Other Related Costs	21,974	26,061	41,957	14,166	45,924	3,242	21,546
Total Salaries and Related Expenses	301,035	364,934	560,659	238,506	595,622	90,333	336,934
Professional Fees and Contracted Services			86,481	6,000		50	
Travel and Transportation	8,892	16,622	6,115	3,115	78	3,082	5,776
Office Expense and Printing Costs	3,211	2,889	3,373	4,593	8,264	3,282	9,688
Occupancy	40,320	31,250	132,544	20,721	58,880	8,350	57,036
Dues and Subscriptions			100	890			1,250
Advertising		50	860	1,973			5,698
Staff Training and Conferences	622	689	1,512	3,650	3,597	246	1,951
Client Assistance						52,825	113,377
Food and Related Costs					109,626		40,048
Equipment and Computer Expenses	3,313	2,076	3,318	2,739	1,247	343	5,624
Client Wages and Related Costs	42,197	21,873					
In-kind Expense							165,229
Program Supplies and Materials	2,334	4,631	38,709	3,170	9,706	305	10,286
Depreciation	4,808	4,327	9,052	1,589	8,663	785	11,151
Total Expenses	$ 406,732	$ 449,341	$ 842,723	$ 286,946	$ 795,683	$ 159,601	$ 764,048

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, 2017

(Continued)

	Home Care	Senior Aide Employment	Adoption Information and Referral	Parent Aide and Education	Youville House Emergency Shelter for Families	Total Program and Support Services	Management and General	Total
Expenses								
Salaries and Wages	$ 2,469,324	$ 76,327	$ 17,891	$ 242,351	$ 406,962	$ 5,265,048	$ 624,128	$ 5,889,176
Employee Benefits	115,549	7,994	4,972	16,192	13,302	418,969	44,976	463,945
Payroll Taxes and Other Related Costs	279,242	5,728	1,245	18,462	41,998	521,545	57,856	579,401
Total Salaries and Related Expenses	2,864,115	90,049	24,108	277,005	462,262	6,205,562	726,960	6,932,522
Professional Fees and Contracted Services				1,723		94,254	113,373	207,627
Travel and Transportation	24,012	4,132	812	25,404	9,821	107,861	5,293	113,154
Office Expense and Printing Costs	28,180	6,077	237	9,156	6,620	85,570	28,114	113,684
Occupancy	77,142	2,425	3,147	7,108	77,025	515,948	79,208	595,156
Dues and Subscriptions	2,000					4,240	12,054	16,294
Advertising	4,482	105		3,710	1,800	18,678	15,838	34,516
Staff Training & Conferences	4,274	3		1,154	254	17,952	16,608	34,560
Client Assistance					13,299	179,501		179,501
Food and Related Costs					395	150,069		150,069
Equipment and Computer Expenses	17,763	510	492	583	3,172	41,180	29,561	70,741
Client Wages and Related Costs		655,005				719,075		719,075
In-kind Expense		49,224				214,453		214,453
Program Supplies and Materials	39,805	186	41	3,773	4,777	117,723	12,260	129,983
Depreciation	2,421	301	201	2,625	5,637	51,560	7,758	59,318
Total Expenses	$ 3,064,194	$ 808,017	$ 29,038	$ 332,241	$ 585,062	$ 8,523,626	$ 1,047,027	$ 9,570,653

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

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.

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, provide Thanksgiving and Christmas dinners to homebound and a congregate meal for those in search of fellowship on both holidays, emergency assistance, information, referral and advocacy.

Services to the Frail and Vulnerable Elders:

Home Care provides Homemakers, Personal Care Attendants, Chore Workers, Home Health Aides 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 Southbridge 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.

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 $ 37,328 and $ 34,516 in 2018 and 2017, 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, 2018 and 2017.

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 2018 and 2017 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, 2018 and 2017 the Organization expensed and paid income taxes of $ 10,447 and $ 10,812, 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,			
	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Unrestricted Assets	$ 5,158,936	$ 6,230,613	$ 5,581,618	$ 6,340,478
Permanently Restricted Assets	2,675,253	2,675,253	2,675,253	2,675,253
	$ 7,834,189	$ 8,905,866	$ 8,256,871	$ 9,015,731

B. Investments (Continued):

	June 30, 2018		June 30, 2017	
	Cost	Fair Value	Cost	Fair Value
Level 1				
Equity Mututal Funds	$ 3,970,181	$ 5,158,092	$ 4,484,759	$ 5,275,460
Bond Mutual Funds	476,873	471,317	476,873	471,317
Money Market Funds	347,883	347,883	340,159	340,159
	4,794,937	5,977,292	5,301,791	6,086,936
Level 2				
Corporate Bonds	1,152,836	1,092,684	1,231,447	1,222,144
Municipal Bonds	810,193	783,985	853,582	845,590
U.S. Treasuries	954,107	929,789	744,619	735,629
U.S. Savings Bonds	1,453	1,453	1,409	1,409
	2,918,589	2,807,911	2,831,057	2,804,772
Level 3				
Real Estate Limited Partnerships	120,663	120,663	124,023	124,023
	$ 7,834,189	$ 8,905,866	$ 8,256,871	$ 9,015,731

The investments had unrealized gains of $ 1,071,677 as of June 30, 2018 and $ 758,860 as of June 30, 2017.

Level 3 investments had a net decrease in fair value of $ 3,360. The decrease is due to return of capital of $ 3,360.

C. Property and Equipment - Net:

	June 30,	
	2018	**2017**
Buildings	$ 2,082,405	$ 2,082,405
Building Improvements	1,267,839	1,267,839
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	113,518	78,843
Idle Assets	85,065	85,065
Total Property and Equipment	4,449,037	4,414,362
Less Accumulated Depreciation	3,908,885	3,833,919
Property and Equipment - Net	$ 540,152	$ 580,443

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, 2018 and 2017 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, 2018 and 2017 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, 2018	June 30, 2017
Endowment Net Assets Beginning of Year	$ 2,675,253	$ 2,675,253
Investment Return:		
Interest and Dividends	64,901	84,766
Realized Gain on Investments	39,870	1,806
Total Investment Return	104,771	86,572
Appropriation of Endowment		
For Operations	(100,514)	(82,256)
Temporarily Restricted	(4,257)	(4,316)
Total Appropriations	(104,771)	(86,572)
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, 2018 and 2017 was $ 95,568 and $ 90,522, 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. During 2018 the Organization moved this area office to Milford and the landlord is not a related party.

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, 2018 and 2017. As of June 30, 2018 and 2017 there was nothing due from the tenant.

Catholic Charities has cash on deposit with the Diocese of Worcester. This Diocese Expansion Fund earns 3.25% per annum. The account balance as of June 30, 2018 and 2017 was $ 364,070 and $ 352,690, respectively.

A former Board Member is the Controller of a family owned plumbing business. For the years ended June 30, 2018 and 2017, the Organization incurred expenses of $ 3,863 and $ 2,362, respectively. There was nothing owed to the Board Member's family owned plumbing business as of June 30, 2018 and 2017.

G. 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, 2018 and 2017 amounted to $ 4,280 and $ 14,265, respectively.

H. 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.

I. 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.

J. Temporarily Restricted Net Assets:

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

	June 30, 2018	June 30, 2017
Mercy Centre	$ 167,957	$ 126,481
Entire Agency	68,674	96,086
Southbridge Area Office	45,375	47,008
Milford Area Office	25,072	31,758
	$ 307,078	$ 301,333

Assets released from temporary restrictions were as follows:

	June 30, 2018	June 30, 2017
Mercy Centre:		
Technology Assistance & Program Enhancement	$ 55,099	$ 57,137
Milford Area Office:		
General Relief and Assistance	11,503	6,277
Fuel Assistance	1,184	1,288
Southbridge Area Office:		
Emergency Assistance	1,633	3,628
General Relief and Assistance	-	10,326
Parent Skills Program	-	1,829
Entire Agency:		
General Relief and Assistance	31,732	22,523
Emergency Assistance	-	2,250
Total Releases From Temporary Restrictions	$ 101,151	$ 105,258

K. 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, 2018, the Organization does not anticipate any material liabilities will result from such audits.

L. Changes in Temporarily Restricted Net Assets:

	For the Year Ended June 30, 2018		For the Year Ended June 30, 2017
Grants, Donations and Fundraising	$	102,639	$	59,425
Interest and Dividends		4,257		4,316
		106,896		63,741
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions		(101,151)		(105,258)
Change in Temporarily Restricted Net Assets		5,745		(41,517)
Temporarily Restricted Net Assets Beginning of the Year		301,333		342,850
Temporarily Restricted Net Assets End of the Year	$	307,078	$	301,333

M. 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 31, 2018, the date the financial statements were available to be issued. On July 1, 2018, Catholic Charities and Crozier Inc. (A not-for-profit corporation) determined that a formal affiliation would best allow Crozier, Inc. to continue to fulfill its purpose. The assets of Crozier, Inc. consist of rental property with a carrying value of approximately $ 50,000 and cash of approximately $ 240,000. The only liability is a commitment to let the current tenants continue to stay in the property for their lifetime at an annual rent of approximately $ 7,884 of which 50% is paid by the tenants and the remainder by a governmental agency. Crozier, Inc. will be accounted as a wholly-owned subsidiary in consolidated financial statements for the year ended June 30, 2019. No other material subsequent events have occurred since June 30, 2018 that required recognition or disclosure in these financial statements.

N. 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 under state unit rate contracts. Specifically, an organization may retain annually a surplus of up to twenty percent of total revenues attributable to or generated by Commonwealth agreements for the provision of Social Services. Any excess revenues above the aforementioned limit are subject to recoupment by the Commonwealth. For the year ended June 30, 2018 the Organization had no excess revenues subject to recoupment.

CATHOLIC CHARITIES OF THE DIOCESE OF WORCESTER

Supplementary Schedule of Expenditures of Federal Awards
For The Year Ended June 30, 2018

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	CTORI010017RCM000006	$ -	$ 1,000
			-	1,000
Refugee and Entrant Assistance – Wilson/Fish Program – Pass-Thru From:				
Office of Refugee and Immigrants	93.583	CTORI010017RCM000006		35,855
			-	35,855
Block Grants for Prevention and Treatment of Substance Abuse – Pass Through From:				
Massachusetts Department of Public Health	93.959	INTF2304M03171125263		41,528
Massachusetts Department of Public Health	93.959	INTF2304M03171125291		20,752
			-	62,278
Total U.S. Department of Health and Human Services			$ -	$ 99,135
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	$ -	$ 10,011
Emergency Food Assistance Program (Food Commodities) – Pass-Thru From –				
Worcester County Food Bank	10.569	N/A		205,723
			$ -	$ 215,734
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	$ -	$ 39,425

CATHOLIC CHARITIES OF THE DIOCESE OF WORCESTER

Schedule of Expenditures of Federal Awards
For The Year Ended June 30, 2018

(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	$ -	$ 700,386
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	$ -	$ 50,549
Total Expenditures of Federal Awards			$ -	$ 1,105,229

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, 2018

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, 2018. 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.

McCarthy, Hargrave & Co.

Certified Public Accountants

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, 2018, 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 31, 2018.

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 these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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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 31, 2018

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, 2018. 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 and 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 the 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, 2018.

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 31, 2018

McCarthy, Hargrave & Co.

CATHOLIC CHARITIES OF THE DIOCESE OF WORCESTER

Schedule of Findings And Questioned Costs
Year Ended June 30, 2018

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	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 are not considered to be material weakness(es)?		Yes	X	None Reported

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	$700,386

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, 2018

None.