CATHOLIC CHARITIES
OF THE DIOCESE OF WORCESTER

Financial Statements and Additional
Information For The Years Ended
June 30, 2019 and 2018
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 consolidated (2019 only) 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, 2019 and 2018, 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.

113 West Main Street • Northborough, MA 01532
Telephone (508) 481-2211 • Facsimile (508) 481-2897
www.mhandco.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Catholic Charities of the Diocese of Worcester as of June 30, 2019 (only) and 2018, 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 consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 November 6, 2019, 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.

November 6, 2019

McCarthy, Hargrave & Co.

CATHOLIC CHARITIES OF THE DIOCESE OF WORCESTER

Consolidated (2019 only) Statements of Financial Position

	June 30, 2019		June 30, 2018	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$	642,707	$	1,112,160
Accounts Receivable		997,558		850,931
Accrued Interest Receivable		18,606		21,728
Prepaid Expenses		57,361		26,381
Total Current Assets		1,716,232		2,011,200
Investments		8,948,186		8,905,866
Property and Equipment - Net		1,273,705		540,152
Construction in Progress		311,344		-
TOTAL ASSETS	$	12,249,467	$	11,457,218
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts Payable and Accrued Expenses	$	200,955	$	167,045
Accrued Payroll and Other Liabilities		367,051		365,026
Deferred Revenue		68,733		31,561
Total Current Liabilities		636,739		563,632
Net Assets:				
Without Donor Restrictions:				
Board Designated for Capital Needs		1,050,000		859,082
Property and Equipment		944,854		540,152
Construction in Progress		311,344		-
For Operations		6,360,796		6,512,021
Total		8,666,994		7,911,255
With Donor Restrictions:				
Temporarily		270,481		307,078
Permanently		2,675,253		2,675,253
Total		2,945,734		2,982,331
TOTAL NET ASSETS		11,612,728		10,893,586
TOTAL LIABILITIES AND NET ASSETS	$	12,249,467	$	11,457,218

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

CATHOLIC CHARITIES OF THE DIOCESE OF WORCESTER

Consolidated (2019 only) Statements of Activities

	For the Years Ended June 30, 2019	2018
Operating Activities		
Revenues and Other Support		
Local, State and Federal Government Revenue	$ 8,343,382	$ 8,191,579
Partners in Charity	350,000	350,000
Service Fees	254,699	229,788
Interest and Dividends	243,952	210,454
Grants, Donations and Fundraising	455,514	401,021
In-kind Donated Goods and Services	249,322	266,052
United Ways	160,915	155,083
Other Income	88,405	46,640
Total Revenues and Other Support	10,146,189	9,850,617
Expenses		
Services to People Challenged by Developmental Disabilites:		
Mercy Centre Job Training and Employment Services	515,270	490,442
Mercy Centre Community Based Adult Day Services	448,245	476,410
Mercy Centre Day Habilitation Program	835,464	786,409
	1,798,979	1,753,261
Services Through Outreach to Parishes and Communities:		
Literacy Services	172,133	304,082
Crozier House for Men Recovering from Substance Abuse	788,776	846,371
Refugee Services	26,333	98,235
Community Services Programs	1,173,528	918,689
	2,160,770	2,167,377
Services to Frail and Vulnerable Elders:		
Home Care	3,431,883	3,181,106
Senior Aide Employment	732,037	769,607
	4,163,920	3,950,713
Services to Families and Children:		
Adoption Information and Referral	-	21,719
Parent Aide and Education	380,643	354,235
Youville House Emergency Shelter for Families	557,685	581,461
	938,328	957,415
Total Program and Support Services	9,061,997	8,828,766
Management and General	1,374,913	1,393,204
Total Expenses	10,436,910	10,221,970
Change in Net Assets from Operations	(290,721)	(371,353)
Nonoperating Activities		
Realized Gain on Investments	32,343	129,286
Unrealized Gain on Investments	169,596	312,817
Non-Operating Contributions	807,924	-
	1,009,863	442,103
Change in Net Assets	719,142	70,750
Net Assets Beginning of the Year	10,893,586	10,822,836
Net Assets End of the Year	$ 11,612,728	$ 10,893,586

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

CATHOLIC CHARITIES OF THE DIOCESE OF WORCESTER

Consolidated (2019 only) Statements of Cash Flows

	For The Years Ended June 30, 2019	2018
Cash Flows From Operating Activities:		
Change in Net Assets	$ 719,142	$ 70,750
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	51,585	74,966
Realized Gain on Investments	(32,343)	(129,286)
Unrealized Gain on Investments	(169,596)	(312,817)
Non-Operating Noncash Contributions	(488,751)	-
Accounts Receivable	(146,627)	(35,331)
Accrued Interest Receivable	3,122	(965)
Prepaid Expenses	(30,980)	(24,999)
Accounts Payable and Accrued Expenses	33,910	39,374
Accrued Payroll and Other Liabilities	2,025	12,464
Deferred Revenue	37,172	(10,648)
Net Cash Provided (Used) By Operating Activities:	(21,341)	(316,492)
Cash Flows From Investing Activities		
Proceeds From Sales of Investments	1,317,952	851,599
Purchases of Investments	(1,158,333)	(299,631)
Expenditures for Property and Equipment, Net	(296,387)	(34,675)
Expenditures for Construction in Progress	(311,344)	-
Net Cash (Used) Provided by Investing Activities	(448,112)	517,293
Cash Flows From Financing Activities:		
Reduction of Capitalized Lease Obligations	-	(6,324)
Net Cash Used By Financing Activities	-	(6,324)
Net (Decrease) Increase in Cash and Cash Equivalents	(469,453)	194,477
Cash and Cash Equivalents at Beginning of Year	1,112,160	917,683
Cash and Cash Equivalents at End of Year	$ 642,707	$ 1,112,160
Supplemental Schedule Of Noncash Operating And Investing Activities:		
Non-Operating Contributions include two contributions of real estate at an appraised value of $ 488,751.	$ 488,751	$ -

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

CATHOLIC CHARITIES OF THE DIOCESE OF WORCESTER

Consolidated (2019 only) Statements of Functional Expenses

Services to People Challenged by Developmental Disabilities

For the Years Ended June 30, 2019 and 2018

	2019			2018		
	Mercy Centre Job Training and Employment Services	Mercy Centre Community Based Adult Day Services	Mercy Centre Day Habilitation Program	Mercy Centre Job Training and Employment Services	Mercy Centre Community Based Adult Day Services	Mercy Centre Day Habilitation Program
Expenses						
Salaries and Wages	$ 299,431	$ 295,177	$ 472,340	$ 318,168	$ 308,428	$ 471,957
Employee Benefits	52,043	53,199	76,875	61,524	36,728	57,326
Payroll Taxes and Other Related Costs	36,927	36,837	50,984	25,941	27,336	41,646
Total Salaries and Related Expenses	388,401	385,213	600,199	405,633	372,492	570,929
Professional Fees and Contracted Services			94,160			85,113
Travel and Transportation	9,127	17,519	7,767	20,987	7,397	7,728
Office Expense and Printing Costs	2,360	2,043	3,473	2,815	3,427	4,347
Occupancy	37,596	19,526	75,533	24,813	32,113	66,216
Dues and Subscriptions			160			100
Advertising	72	754	2,171	306	66	80
Staff Training and Conferences	968	229	434	209	223	246
Client Assistance						
Food and Related Costs						53
Equipment and Computer Expenses	1,190	1,440	1,735	2,230	2,754	3,879
Client Wages and Related Costs	68,867	14,425		24,311	48,664	
In-kind Expense						
Program Supplies and Materials	4,079	5,418	46,182	4,885	4,346	40,984
Depreciation	2,610	1,678	3,650	4,253	4,928	6,734
Total Expenses	$ 515,270	$ 448,245	$ 835,464	$ 490,442	$ 476,410	$ 786,409

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

CATHOLIC CHARITIES OF THE DIOCESE OF WORCESTER

Consolidated (2019 only) Statements of Functional Expenses

Services Through Outreach to Parishes and Communities

For the Years Ended June 30, 2019 and 2018

(Continued)

	2019				2018			
	Literacy Services	Crozier House	Refugee Services	Community Services Programs	Literacy Services	Crozier House	Refugee Services	Community Services Programs
Expenses								
Salaries and Wages	$ 112,047	$ 441,976	$ 24,474	$ 409,708	$ 177,697	$ 485,559	$ 60,448	$ 343,903
Employee Benefits	34,613	38,568		101,363	41,318	53,752	2,457	37,683
Payroll Taxes and Other Related Costs	9,191	37,850	276	33,858	14,876	46,582	2,393	27,391
Total Salaries and Related Expenses	155,851	518,394	24,750	544,929	233,891	585,893	65,298	408,977
Professional Fees and Contracted Services				3,295	6,000		100	338
Travel and Transportation	4,656	4,351		8,403	4,059	184	1,495	6,400
Office Expense and Printing Costs	880	13,448	1,238	15,397	2,423	12,115	2,389	11,199
Occupancy	97	105,897	133	96,221	45,075	100,572	6,629	71,080
Dues and Subscriptions					810			285
Advertising	983			1,330	961			5,008
Staff Training and Conferences	293	2,161		1,755	1,592	1,680		423
Client Assistance				199,796			21,375	101,109
Food and Related Costs		101,298		44,408		115,027		45,633
Equipment and Computer Expenses	1,718	2,238	134	6,793	5,089	5,047	186	3,460
Client Wages and Related Costs								
In-kind Expense				202,285				213,200
Program Supplies and Materials	7,655	32,352	78	35,375	1,619	13,991	172	36,414
Depreciation		8,637		13,541	2,563	11,862	591	15,163
Total Expenses	$ 172,133	$ 788,776	$ 26,333	$ 1,173,528	$ 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

Consolidated (2019 only) Statements of Functional Expenses

Services to Frail and Vulnerable Elders

For the Years Ended June 30, 2019 and 2018

(Continued)

	2019		2018	
	Home Care	Senior Aide Employment	Home Care	Senior Aide Employment
Expenses				
Salaries and Wages	$ 2,685,327	$ 75,505	$ 2,536,560	$ 78,531
Employee Benefits	163,724	8,794	140,274	8,372
Payroll Taxes and Other Related Costs	280,231	7,453	277,265	7,993
Total Salaries and Related Expenses	3,129,282	91,752	2,954,099	94,896
Professional Fees and Contracted Services			338	
Travel and Transportation	55,926	2,485	48,221	4,043
Office Expense and Printing Costs	25,681	7,028	26,148	7,316
Occupancy	111,749	3,585	79,301	8,252
Dues and Subscriptions	2,000		2,000	631
Advertising	8,703		3,134	74
Staff Training & Conferences	2,769	1,124	3,044	
Client Assistance				
Food and Related Costs				
Equipment and Computer Expenses	21,176	734	16,872	422
Client Wages and Related Costs		578,464		603,407
In-kind Expense		46,376		49,304
Program Supplies and Materials	69,066	348	36,120	341
Depreciation	5,531	141	11,829	921
Total Expenses	$ 3,431,883	$ 732,037	$ 3,181,106	$ 769,607

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

CATHOLIC CHARITIES OF THE DIOCESE OF WORCESTER

Consolidated (2019 only) Statements of Functional Expenses

Services to Families and Children

For the Years Ended June 30, 2019 and 2018

(Continued)

	2019			2018		
	Adoption Information and Referral	Parent Aide and Education	Youville House Emergency Shelter for Families	Adoption Information and Referral	Parent Aide and Education	Youville House Emergency Shelter for Families
Expenses						
Salaries and Wages	$ -	$ 234,213	$ 395,148	$ 17,580	$ 252,733	$ 408,615
Employee Benefits		29,779	13,853	1,820	24,026	13,432
Payroll Taxes and Other Related Costs		19,334	39,606	1,457	21,358	41,033
Total Salaries and Related Expenses	-	283,326	448,607	20,857	298,117	463,080
Professional Fees and Contracted Services					75	2,000
Travel and Transportation		23,250	5,415	48	22,225	9,547
Office Expense and Printing Costs		7,592	6,048	175	10,053	6,624
Occupancy		32,618	76,054	128	11,708	77,280
Dues and Subscriptions			30			
Advertising		122	2,348		753	
Staff Training and Conferences		160	621		1,181	792
Client Assistance			3,300			6,089
Food and Related Costs			161			286
Equipment and Computer Expenses		2,348	3,162	511	604	3,939
Client Wages and Related Costs						
In-kind Expense			661			348
Program Supplies and Materials		27,331	5,641		6,267	5,839
Depreciation		3,896	5,637		3,252	5,637
Total Expenses	$ -	$ 380,643	$ 557,685	$ 21,719	$ 354,235	$ 581,461

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

CATHOLIC CHARITIES OF THE DIOCESE OF WORCESTER

Consolidated (2019 only) Statements of Functional Expenses

For the Years Ended June 30, 2019 and 2018

(Continued)

	2019			2018		
	Total Program and Support Services	Management and General	Total	Total Program and Support Services	Management and General	Total
Expenses						
Salaries and Wages	$ 5,445,346	$ 781,845	$ 6,227,191	$ 5,460,179	$ 829,571	$ 6,289,750
Employee Benefits	572,811	79,915	652,726	478,712	72,746	551,458
Payroll Taxes and Other Related Costs	552,547	128,806	681,353	535,271	135,600	670,871
Total Salaries and Related Expenses	6,570,704	990,566	7,561,270	6,474,162	1,037,917	7,512,079
Professional Fees and Contracted Services	97,455	149,577	247,032	93,964	135,347	229,311
Travel and Transportation	138,899	9,500	148,399	132,334	9,091	141,425
Office Expense and Printing Costs	85,188	26,439	111,627	89,031	22,855	111,886
Occupancy	559,009	46,324	605,333	523,167	43,168	566,335
Dues and Subscriptions	2,190	13,925	16,115	3,195	13,144	16,339
Advertising	16,483	10,746	27,229	10,939	26,389	37,328
Staff Training and Conferences	10,514	28,822	39,336	9,464	29,623	39,087
Client Assistance	203,096		203,096	128,573		128,573
Food and Related Costs	145,867		145,867	160,999		160,999
Equipment and Computer Expenses	42,668	80,655	123,323	44,993	53,590	98,583
Client Wages and Related Costs	661,756		661,756	676,382		676,382
In-kind Expense	249,322		249,322	262,852	3,200	266,052
Program Supplies and Materials	233,525	12,095	245,620	150,978	11,647	162,625
Depreciation	45,321	6,264	51,585	67,733	7,233	74,966
Total Expenses	$ 9,061,997	$ 1,374,913	$ 10,436,910	$ 8,828,766	$ 1,393,204	$ 10,221,970

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, through outreach to parishes and communities, frail and vulnerable elders and families and children.

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 in the field of housing. The assets of Crozier, Inc. consisted of rental property with an appraised value of $ 159,900 and cash of $ 213,502. 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. The present value of the rental income based upon the tenants' life expectancy was $ 58,151. Crozier, Inc. is accounted for as a wholly-owned subsidiary in the consolidated financial statements for the year ended June 30, 2019. It had rental income of $ 13,588 and interest income of $ 6,905 and expenses of $ 11,063 for the year ended June 30, 2019. Cash basis rental income was $ 7,892.

The specific program services rendered by Catholic Charities of the Diocese of Worcester 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 ESL classes 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 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 training opportunities for older workers.

Services to Families and Children:

Adoption Information and Referral services, including adoption history services and adoption search which continues to operate as part of management and general.

Parent Aide and Education, including a Family Resource Center in the Southbridge Office is operated out of the Mercy Centre.

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 Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation – The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require it to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of management and the Board of Directors.

Net Assets With Donor Restrictions: Net assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

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. Temporarily restricted cash with donor restrictions was $ 270,481 and $ 307,078 as of June 30, 2019 and 2018, respectively.

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. Also included is the present value of rental income for Crozier, Inc.

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 $ 27,347 and $ 37,328 in 2019 and 2018, 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, 2019 and 2018.

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 2019 and 2018 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, 2019 and 2018 the Organization expensed and paid income taxes of $ 10,505 and $ 10,447, 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):

Grants and Contributions – Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

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.

New Accounting Pronouncement – On August 18, 2016 FASB issued ASU 2016-14, Not-For-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-For-Profit Entities.* The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Catholic Charities of The Diocese of Worcester has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to the year ended June 30, 2018.

B. Investments:

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

	June 30, 2019		June 30, 2018	
	Cost	**Fair Value**	**Cost**	**Fair Value**
Without Donor Restrictions	$ 5,031,660	$ 6,272,933	$ 5,158,936	$ 6,230,613
With Donor Restrictions	2,675,253	2,675,253	2,675,253	2,675,253
	$ 7,706,913	$ 8,948,186	$ 7,834,189	$ 8,905,866

	June 30, 2019		June 30, 2018	
	Cost	**Fair Value**	**Cost**	**Fair Value**
Level 1				
Equity Mututal Funds	$ 3,684,726	$ 4,859,094	$ 3,970,181	$ 5,158,092
Bond Mutual Funds	408,825	402,878	476,873	471,317
Money Market Funds	748,384	748,384	347,883	347,883
	4,841,935	6,010,356	4,794,937	5,977,292
Level 2				
Corporate Bonds	1,129,108	1,142,528	1,152,836	1,092,684
Municipal Bonds	557,438	584,190	810,193	783,985
U.S. Treasuries	1,058,020	1,090,700	954,107	929,789
U.S. Savings Bonds	1,502	1,502	1,453	1,453
	2,746,068	2,818,920	2,918,589	2,807,911
Level 3				
Real Estate Limited Partnerships	118,910	118,910	120,663	120,663
	$ 7,706,913	$ 8,948,186	$ 7,834,189	$ 8,905,866

The investments had unrealized gains of $ 1,241,273 as of June 30, 2019 and $ 1,071,677 as of June 30, 2018.

Level 3 investments had a net decrease in fair value of $ 1,753. The decrease is due to return of capital of $ 1,753.

Investment management fees were $ 43,598 and $ 45,875 as of June 30, 2019 and 2018, respectively. Investment fees are included in professional fees and consultant fees.

C. Property and Equipment - Net:

	June 30, 2019	June 30, 2018
Buildings	$ 2,661,798	$ 2,082,405
Building Improvements	1,318,628	1,267,839
Computer Equipment	295,280	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	186,936	42,021
Program Furnishings (Residential Only)	40,219	40,219
Land Improvements	113,518	113,518
Idle Assets	85,065	85,065
Total Property and Equipment	5,234,175	4,449,037
Less Accumulated Depreciation	3,960,470	3,908,885
Property and Equipment - Net	$ 1,273,705	$ 540,152

Range of Lives	
Buildings	39 Years
Building Improvements	20 Years
Land Improvement	20 Years
Equipment	7 Years
Furniture and Equipment Program	5 Years
Computer Equipment	3 Years

D. Construction in Progress:

The property at 196 Mechanic Street in Leominster was purchased from the Diocese of Worcester for a nominal amount, therefore a related party donation was recognized for $ 328,851. It will be utilized by our Leominster Women's Recovery Program and is scheduled to commence operations in November, 2019. Renovations are expected to cost approximately $ 360,000 including $ 33,344 in construction costs at June 30, 2019.

The property at 4 Caroline Street in Worcester was purchased from the Diocese of Worcester for $ 235,825. It will be used by our Transitional Housing Program and is scheduled to commence operations in November, 2019. Renovations are expected to cost $ 690,000 including $ 278,000 in construction costs at June 30, 2019.

These projects will be funded internally from the sale of investments.

E. Functional Expenses:

The expenses incurred to provide program services and other activities of the Organization have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated to program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The Expenses that are allocated include the following:

Expense	Method of Allocation
Salaries and Related Expenses	Time and Effort
Client Wages and Related Costs	Specific Identification
Occupancy	Square Footage
In-Kind Expense	Specific Identification
Professional Fees and Contracted Services	Specific Identification
Program Supplies and Materials	Specific Identification
Food and Related Costs	Specific Identification
Travel and Transportation	Specific Identification
Office Expense and Printing Costs	Time and Effort
Equipment and Computer Expenses	Time and Effort

F. Changes in Net Assets with Permanent Donor Restrictions:

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 net assets with permanent donor restrictions consist of the following:

Forward In Faith Endowment and Foley Endowment

Donors' permanent restrictions require that $ 2,500,000 of principal as of June 30, 2019 and 2018 be held as a permanent source of income. Net investment income earned is unrestricted for the operations of the Organization.

F. Changes in Net Assets with Permanent Donor Restrictions (Continued):

Flynn, Krasnecky, and Marshall Endowments

Donors' permanent restrictions require that $ 175,253 of principal as of June 30, 2019 and 2018 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, 2019	June 30, 2018
Endowment Net Assets Beginning of Year	$ 2,675,253	$ 2,675,253
Investment Return:		
Interest and Dividends	84,682	64,901
Realized Gain on Investments	11,227	39,870
Total Investment Return	95,909	104,771
Appropriation of Endowment		
For Operations	(91,025)	(100,514)
Temporarily Restricted	(4,884)	(4,257)
Total Appropriations	(95,909)	(104,771)
Endowment Net Assets End of Year	$ 2,675,253	$ 2,675,253

G. Changes in Net Assets with Temporary Donor Restrictions:

	For the Year Ended June 30, 2019	For the Year Ended June 30, 2018
Grants, Donations and Fundraising	$ 106,170	$ 102,639
Interest and Dividends	4,884	4,257
	111,054	106,896
Net Assets Released from Restrictions:		
Satisfaction of Program Restrictions	(147,651)	(101,151)
Change in Net Assets with Temporary Donor Restrictions	(36,597)	5,745
Net Assets with Temporary Donor Restrictions Beginning of the Year	307,078	301,333
Net Assets with Temporary Donor Restrictions End of the Year	$ 270,481	$ 307,078

G. Changes in Net Assets with Temporary Donor Restrictions (Continued):

Net assets with temporary donor restrictions are available for programs in the following locations:

	June 30, 2019	June 30, 2018
Mercy Centre	$ 162,417	$ 167,957
Entire Agency	48,243	68,674
Southbridge Area Office	41,320	45,375
Milford Area Office	18,501	25,072
	$ 270,481	$ 307,078

Assets released from net assests with temporary donor restrictions were as follows:

	June 30, 2019	June 30, 2018
Mercy Centre:		
Technology Assistance & Program Enhancement	$ 56,740	$ 55,099
General Relief and Assistance	1,824	-
Milford Area Office:		
General Relief and Assistance	8,474	11,503
Fuel Assistance	1,097	1,184
Southbridge Area Office:		
Parent Skills Program	3,720	1,633
Emergency Assistance	335	-
Entire Agency:		
General Relief and Assistance	57,330	31,732
Emergency Assistance	18,131	-
Total Releases From Temporary Restrictions	$ 147,651	$ 101,151

H. Available Resources and Liquidity:

The following represents the Organization's Financial Assets at June 30, 2019 and 2018:

Financial Assets at Year End:	**2019**	**2018**
Cash and Cash Equivalents	$ 642,707	$ 1,112,160
Accounts Receivable	997,558	850,931
Accrued Interest Receivable	18,606	21,728
Investments	8,948,186	8,905,866
Total Financial Assets	10,607,057	10,890,685
Less Amounts Not Available to be Used Within One Year:		
Net Assets with Donor Restrictions	2,945,734	2,982,331
Board Designated for Captial Needs	1,050,000	859,082
	3,995,734	3,841,413
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	$ 6,611,323	$ 7,049,272

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents and investments.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of providing extensive Social Service Programs.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization anticipates collecting sufficient revenue and other support from operations to cover total expenses.

I. 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, 2019 and 2018 was $ 82,827 and $ 95,568, respectively.

J. 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, 2019 and 2018 amounted to $ 5,600 and $ 4,280, respectively.

K. 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.

L. 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.

M. 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, 2019, the Organization does not anticipate any material liabilities will result from such audits.

N. Related Party Transactions:

The Organization's administration complex at 10 Hammond Street in Worcester, Massachusetts is 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.

N. Related Party Transactions (Continued):

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, 2019 and 2018. As of June 30, 2019 and 2018 there was nothing due from the tenant.

Catholic Charities has cash on deposit in two accounts earning 3.25% per annum with the Diocese of Worcester. The account balance as of June 30, 2019 was $ 366,518.

A board member is an attorney at a law firm. For the year June 30, 2019, the Organization incurred expenses of $ 35,181 pertaining to real estate transactions. There was nothing owed to the law firm as of June 30, 2019.

See Note D, Construction in Progress for additional related party transactions.

O. Recently Issued Accounting Pronouncements:

The FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue From Contracts with Customers and Related Amendments.* The new standards requires consistency in the presentation of financial statements. The FASB has recently issued (ASU) 2015-14 to delay this standard for non-public organizations to fiscal years beginning after December 15, 2018. We are currently evaluating the effect this statement will have on our financial statements.

The FASB issued Accounting Standards Update (ASU) 2016-02, *Leases and Related Amendments.* The new standard will require the Organization to recognize a “right to use asset” and related lease obligation on its statement of financial position for all operating leases with terms of more than twelve months. The FASB has recently issued an exposure draft for non-public organizations to delay this standard for two years and is now effective for fiscal years beginning after December 15, 2020.

P. 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, 2019 the Organization had no excess revenues subject to recoupment.

Q. Subsequent Events

The Organization has evaluated the financial statement impact of subsequent events occurring through November 6, 2019, the date that the financial statements were available to be issued. The Granite Street property is scheduled to be sold on December 15, 2019 for $ 200,000. The Organization is not aware of any other subsequent events that would require recognition or disclosure in the financial statements.

CATHOLIC CHARITIES OF THE DIOCESE OF WORCESTER

Supplementary Schedule of Expenditures of Federal Awards
For The Year Ended June 30, 2019

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	CTORI010018CNAP00005	$ -	$ 2,433
			-	2,433
Block Grants for Prevention and Treatment of Substance Abuse – Pass Through From: Massachusetts Department of Public Health	93.959	INTF2304M03171125291		24,513
			-	24,513
Total U.S. Department of Health and Human Services			$ -	$ 26,946
U. S. Department of Agriculture:				
SNAP Cluster – State Administrative Matching Grants for the Supplemental Nutrition Assistance Program – Pass-Thru From – Snap Contract UMass	10.561	None	$ -	$ 11,568
Food Distribution Cluster – Emergency Food Assistance Program (Food Commodities) – Pass-Thru From – Worcester County Food Bank	10.569	None		200,256
			`	$ 211,824
U. S. Department of Labor –				
Senior Community Service Employment Program – Pass-Thru From – Senior Service America, Inc.	17.235	None	$ -	$ 652,501
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	None	$ -	$ 18,006
Total Expenditures of Federal Awards			$ -	$ 909,277

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, 2019

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, 2019. 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 consolidated 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 consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 6, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated 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 consolidated 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.

113 West Main Street • Northborough, MA 01532
Telephone (508) 481-2211 • Facsimile (508) 481-2897
www.mhandco.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Catholic Charities of the Diocese of Worcester's consolidated 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 consolidated 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.

November 6, 2019

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, 2019. 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 federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for 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 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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Telephone (508) 481-2211 • Facsimile (508) 481-2897
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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, 2019.

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.

November 6, 2019

McCarthy, Hargrave & Co.

CATHOLIC CHARITIES OF THE DIOCESE OF WORCESTER

Schedule of Findings And Questioned Costs
Year Ended June 30, 2019

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:

Food Distribution Cluster – Emergency Food Assistance Program (Food Commodities)	10.569	$ 200,256

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, 2019

None.