CATHOLIC CHARITIES
OF THE DIOCESE OF WORCESTER

Financial Statements and Additional
Information For The Years Ended
June 30, 2020 and 2019
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 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, 2020 and 2019, 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, 2020 and 2019, 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 September 29, 2021, 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.

September 29, 2021

McCarthy, Hargrave & Co.

CATHOLIC CHARITIES OF THE DIOCESE OF WORCESTER

Consolidated Statements of Financial Position

	June 30, 2020	June 30, 2019
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 1,473,384	$ 642,707
Accounts Receivable	1,329,456	997,558
Accrued Interest Receivable	19,128	18,606
Prepaid Expenses	77,253	57,361
Total Current Assets	2,899,221	1,716,232
Investments	8,353,360	8,948,186
Property and Equipment - Net	2,376,242	1,273,705
Construction in Progress	144,851	311,344
TOTAL ASSETS	$ 13,773,674	$ 12,249,467
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable and Accrued Expenses	$ 500,163	$ 200,955
Accrued Payroll and Other Liabilities	462,674	367,051
Deferred Revenue	-	68,733
Paycheck Protection Program Loan, Current Portion	749,853	-
Total Current Liabilities	1,712,690	636,739
Non-Current Liabilities:		
Paycheck Protection Program Loan Less Portion Due Within One Year	540,988	-
Net Assets:		
Without Donor Restrictions:		
Board Designated for Capital Needs	9,082	1,050,000
Property and Equipment	2,376,242	1,273,705
Construction in Progress	144,851	311,344
For Operations	5,986,854	6,031,945
Total	8,517,029	8,666,994
With Donor Restrictions:		
Temporarily	327,714	270,481
Permanently	2,675,253	2,675,253
Total	3,002,967	2,945,734
TOTAL NET ASSETS	11,519,996	11,612,728
TOTAL LIABILITIES AND NET ASSETS	$ 13,773,674	$ 12,249,467

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

CATHOLIC CHARITIES OF THE DIOCESE OF WORCESTER

Consolidated Statements of Activities

	For the Years Ended June 30, 2020	2019
Operating Activities		
Revenues and Other Support		
State and Federal Government Revenue	$ 9,456,481	$ 8,343,382
Partners in Charity	308,333	350,000
Service Fees	304,591	254,699
Interest and Dividends	253,838	243,952
Grants, Donations and Fundraising	565,267	455,514
In-kind Donated Goods and Services	814,406	249,322
United Ways	138,940	160,915
Other Income	83,171	88,405
Total Revenues and Other Support	11,925,027	10,146,189
Expenses		
Services to People Challenged by Developmental Disabilites:		
Mercy Centre Job Training and Employment Services	487,138	515,270
Mercy Centre Community Based Adult Day Services	524,253	448,245
Mercy Centre Day Habilitation Program	781,526	835,464
	1,792,917	1,798,979
Services Through Outreach to Parishes and Communities:		
Literacy Services	158,981	172,133
Crozier House for Men Recovering from Substance Abuse	1,276,133	788,776
Refugee Services	26,371	26,333
Community Services Programs	1,749,476	1,173,528
	3,210,961	2,160,770
Services to Frail and Vulnerable Elders:		
Home Care	3,809,547	3,431,883
Senior Aide Employment	905,363	732,037
	4,714,910	4,163,920
Services to Families and Children:		
Parent Aide and Education	332,015	380,643
Youville House Emergency Shelter for Families	657,903	557,685
	989,918	938,328
Total Program and Support Services	10,708,706	9,061,997
Management and General	1,809,973	1,374,913
Total Expenses	12,518,679	10,436,910
Change in Net Assets from Operations	(593,652)	(290,721)
Nonoperating Activities		
Realized (Loss) Gain on Investments	(73,724)	32,343
Unrealized Gain on Investments	230,426	169,596
Non-Operating Contributions	249,495	807,924
Gain on Sale of Building	94,723	-
	500,920	1,009,863
Change in Net Assets	(92,732)	719,142
Net Assets Beginning of the Year	11,612,728	10,893,586
Net Assets End of the Year	$ 11,519,996	$ 11,612,728

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

CATHOLIC CHARITIES OF THE DIOCESE OF WORCESTER

Consolidated Statements of Cash Flows

	For The Years Ended June 30, 2020	2019
Cash Flows From Operating Activities:		
Change in Net Assets	$ (92,732)	$ 719,142
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	92,494	51,585
Realized (Loss) Gain on Investments	73,724	(32,343)
Unrealized Gain on Investments	(230,426)	(169,596)
Non-Operating Noncash Contributions	-	(488,751)
Accounts Receivable	(331,898)	(146,627)
Accrued Interest Receivable	(522)	3,122
Prepaid Expenses	(19,892)	(30,980)
Accounts Payable and Accrued Expenses	299,208	33,910
Accrued Payroll and Other Liabilities	95,623	2,025
Deferred Revenue	(68,733)	37,172
Net Cash Used By Operating Activities:	(183,154)	(21,341)
Cash Flows From Investing Activities		
Proceeds From Sales of Investments	2,033,150	1,317,952
Purchases of Investments	(1,281,622)	(1,158,333)
Expenditures for Property and Equipment, Net	(1,195,031)	(296,387)
Expenditures for Construction in Progress	166,493	(311,344)
Net Cash Used by Investing Activities	(277,010)	(448,112)
Cash Flows From Financing Activities:		
Proceeds from Paycheck Protection Program Loan	1,290,841	-
Net Cash Provided By Financing Activities	1,290,841	-
Net Increase (Decrease) in Cash and Cash Equivalents	830,677	(469,453)
Cash and Cash Equivalents at Beginning of Year	642,707	1,112,160
Cash and Cash Equivalents at End of Year	$ 1,473,384	$ 642,707
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 consolidated financial statements.

CATHOLIC CHARITIES OF THE DIOCESE OF WORCESTER

Consolidated Statements of Functional Expenses

Services to People Challenged by Developmental Disabilities

For the Years Ended June 30, 2020 and 2019

	2020			2019		
	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	$ 305,325	$ 353,248	$ 451,645	$ 299,431	$ 295,177	$ 472,340
Employee Benefits	54,307	56,499	68,736	52,043	53,199	76,875
Payroll Taxes and Other Related Costs	37,352	43,629	51,951	36,927	36,837	50,984
Total Salaries and Related Expenses	396,984	453,376	572,332	388,401	385,213	600,199
Professional Fees and Contracted Services	185	162	85,023			94,160
Travel and Transportation	5,748	13,459	5,297	9,127	17,519	7,767
Office Expense and Printing Costs	2,045	1,888	3,828	2,360	2,043	3,473
Occupancy	34,974	32,727	80,876	37,596	19,526	75,533
Dues and Subscriptions			100			160
Advertising	402	516	1,963	72	754	2,171
Staff Training and Conferences	416	285	982	968	229	434
Client Assistance						
Food and Related Costs	60	52	600			
Equipment and Computer Expenses	1,232	1,115	2,049	1,190	1,440	1,735
Client Wages and Related Costs	41,157	16,338		68,867	14,425	
In-kind Expense						
Program Supplies and Materials	3,027	3,444	26,364	4,079	5,418	46,182
Depreciation	908	891	2,112	2,610	1,678	3,650
Total Expenses	$ 487,138	$ 524,253	$ 781,526	$ 515,270	$ 448,245	$ 835,464

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

CATHOLIC CHARITIES OF THE DIOCESE OF WORCESTER

Consolidated Statements of Functional Expenses

Services Through Outreach to Parishes and Communities

For the Years Ended June 30, 2020 and 2019

(Continued)

	2020				2019			
	Literacy Services	Crozier House	Refugee Services	Community Services Programs	Literacy Services	Crozier House	Refugee Services	Community Services Programs
Expenses								
Salaries and Wages	$ 117,544	$ 821,711	$ 24,573	$ 402,498	$ 112,047	$ 441,976	$ 24,474	$ 409,708
Employee Benefits	20,005	28,644		107,760	34,613	38,568		101,363
Payroll Taxes and Other Related Costs	10,429	68,646	366	32,637	9,191	37,850	276	33,858
Total Salaries and Related Expenses	147,978	919,001	24,939	542,895	155,851	518,394	24,750	544,929
Professional Fees and Contracted Services		29		1,300				3,295
Travel and Transportation	393	2,853		5,445	4,656	4,351		8,403
Office Expense and Printing Costs	1,798	16,630	1,180	14,210	880	13,448	1,238	15,397
Occupancy	3,496	116,228	85	94,595	97	105,897	133	96,221
Dues and Subscriptions	869							
Advertising	253	7,045		6,671	983			1,330
Staff Training and Conferences	1,869	3,215		801	293	2,161		1,755
Client Assistance				194,137				199,796
Food and Related Costs		143,395		45,540		101,298		44,408
Equipment and Computer Expenses	261	12,312	97	5,820	1,718	2,238	134	6,793
Client Wages and Related Costs								
In-kind Expense				770,652				202,285
Program Supplies and Materials	1,966	45,249	70	57,039	7,655	32,352	78	35,375
Depreciation	98	10,176		10,371		8,637		13,541
Total Expenses	$ 158,981	$ 1,276,133	$ 26,371	$ 1,749,476	$ 172,133	$ 788,776	$ 26,333	$ 1,173,528

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

CATHOLIC CHARITIES OF THE DIOCESE OF WORCESTER

Consolidated Statements of Functional Expenses

Services to Frail and Vulnerable Elders

For the Years Ended June 30, 2020 and 2019

(Continued)

	2020		2019	
	Home Care	Senior Aide Employment	Home Care	Senior Aide Employment
Expenses				
Salaries and Wages	$ 3,072,068	$ 90,489	$ 2,685,327	$ 75,505
Employee Benefits	137,600	8,739	163,724	8,794
Payroll Taxes and Other Related Costs	341,388	9,856	280,231	7,453
Total Salaries and Related Expenses	3,551,056	109,084	3,129,282	91,752
Professional Fees and Contracted Services	23			
Travel and Transportation	97,147	752	55,926	2,485
Office Expense and Printing Costs	27,346	5,769	25,681	7,028
Occupancy	73,077	3,636	111,749	3,585
Dues and Subscriptions			2,000	
Advertising	7,847	48	8,703	
Staff Training & Conferences	1,388	48	2,769	1,124
Client Assistance	36			
Food and Related Costs	8			
Equipment and Computer Expenses	19,742	4,129	21,176	734
Client Wages and Related Costs		742,015		578,464
In-kind Expense		39,432		46,376
Program Supplies and Materials	30,853	352	69,066	348
Depreciation	1,024	98	5,531	141
Total Expenses	$ 3,809,547	$ 905,363	$ 3,431,883	$ 732,037

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

CATHOLIC CHARITIES OF THE DIOCESE OF WORCESTER

Consolidated Statements of Functional Expenses

Services to Families and Children

For the Years Ended June 30, 2020 and 2019

(Continued)

	2020		2019	
	Parent Aide and Education	Youville House Emergency Shelter for Families	Parent Aide and Education	Youville House Emergency Shelter for Families
Expenses				
Salaries and Wages	$ 240,591	$ 433,383	$ 234,213	$ 395,148
Employee Benefits	35,707	15,403	29,779	13,853
Payroll Taxes and Other Related Costs	20,204	44,476	19,334	39,606
Total Salaries and Related Expenses	296,502	493,262	283,326	448,607
Professional Fees and Contracted Services	131	49		
Travel and Transportation	18,065	3,107	23,250	5,415
Office Expense and Printing Costs	6,078	9,447	7,592	6,048
Occupancy	6,720	110,236	32,618	76,054
Dues and Subscriptions	236			30
Advertising	287	5,719	122	2,348
Staff Training and Conferences	162	1,501	160	621
Client Assistance				3,300
Food and Related Costs	42	71		161
Equipment and Computer Expenses	758	5,312	2,348	3,162
Client Wages and Related Costs		22		
In-kind Expense		3,453		661
Program Supplies and Materials	2,581	22,436	27,331	5,641
Depreciation	453	3,288	3,896	5,637
Total Expenses	$ 332,015	$ 657,903	$ 380,643	$ 557,685

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

CATHOLIC CHARITIES OF THE DIOCESE OF WORCESTER

Consolidated Statements of Functional Expenses

For the Years Ended June 30, 2020 and 2019

(Continued)

	2020			2019		
	Total Program and Support Services	Management and General	Total	Total Program and Support Services	Management and General	Total
Expenses						
Salaries and Wages	$ 6,313,075	$ 723,017	$ 7,036,092	$ 5,445,346	$ 781,845	$ 6,227,191
Employee Benefits	533,400	182,690	716,090	572,811	79,915	652,726
Payroll Taxes and Other Related Costs	660,934	244,302	905,236	552,547	128,806	681,353
Total Salaries and Related Expenses	7,507,409	1,150,009	8,657,418	6,570,704	990,566	7,561,270
Professional Fees and Contracted Services	86,902	228,937	315,839	97,455	149,577	247,032
Travel and Transportation	152,266	6,300	158,566	138,899	9,500	148,399
Office Expense and Printing Costs	90,219	27,397	117,616	85,188	26,439	111,627
Occupancy	556,650	149,244	705,894	559,009	46,324	605,333
Dues and Subscriptions	1,205	23,921	25,126	2,190	13,925	16,115
Advertising	30,751	11,606	42,357	16,483	10,746	27,229
Staff Training and Conferences	10,667	37,950	48,617	10,514	28,822	39,336
Client Assistance	194,173	1,475	195,648	203,096		203,096
Food and Related Costs	189,768		189,768	145,867		145,867
Equipment and Computer Expenses	52,827	87,903	140,730	42,668	80,655	123,323
Client Wages and Related Costs	799,532		799,532	661,756		661,756
In-kind Expense	813,537	868	814,405	249,322		249,322
Program Supplies and Materials	193,381	21,288	214,669	233,525	12,095	245,620
Depreciation	29,419	63,075	92,494	45,321	6,264	51,585
Total Expenses	$ 10,708,706	$ 1,809,973	$ 12,518,679	$ 9,061,997	$ 1,374,913	$ 10,436,910

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

CATHOLIC CHARITIES OF THE DIOCESE OF WORCESTER

Notes to Consolidated Financial Statements

For the Years Ended June 30, 2020 and 2019

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. consist of rental property and cash. The only liability was a commitment to let the current tenants continue to stay in the property for their lifetime at an annual rent of which 50% was paid by the tenants and the remainder by a governmental agency. However, during 2020 the tenants passed away. Crozier, Inc. is accounted for as a wholly-owned subsidiary in the consolidated financial statements for the years ended June 30, 2020 and 2019.

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:

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.

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 $ 327,714 and $ 270,481 as of June 30, 2020 and 2019, 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. for the year ended June 30, 2019.

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

Functional Allocation of 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. Salaries and wages and related payroll taxes and benefits are allocated on time and effort. Occupancy costs are allocated on square footage and the remaining expenses are allocated by specific identification.

Advertising Expenses – The Organization expenses advertising expenses as incurred. Such expenses were $ 42,357 and $ 27,229 in 2020 and 2019, respectively.

Forgivable Loans – Paycheck Protection Program (PPP) – The Organization's policy is to account for forgivable loans received through the Small Business Administration (SBA) under *Coronavirus Aid, Relief and Economic Security Act (CARES Act)* Paycheck Protection Program (PPP), as debt in accordance with Accounting Standards Codification (ASC) 470, *Debt*, and other related accounting pronouncements. The forgiveness of debt, in whole or in part, is recognized once the debt is extinguished, which occurs when the Organization is legally released from the liability by the SBA. Any portion of debt forgiven, adjusted for accrued interest forgiven is recorded as a gain on extinguishment of debt, and presented in the other income section of the statement of activities.

Revenue and Revenue Recognition – State and Federal Government revenue is recognized from the delivery of services. The Organization has many contracts with the Commonwealth of Massachusetts. Administrative expenses are also reimbursed under these contracts. In-kind donations are primarily food donations from the Worcester Food bank and donated time from senior aides. 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.

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, 2020 and 2019.

Income Taxes – Catholic Charities of the Diocese of Worcester is organized as a Massachusetts nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a)

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

as organizations described in IRC Section 501(c)(3), qualify for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and have been determined not to be private foundations under IRC Sections 509(a)(1) and (3), respectively. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. We have determined that the entity is subject to unrelated business income tax and is annually required to file an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS. 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, 2020 and 2019 the Organization expensed and paid income taxes of $ 15,335 and $ 10,505, 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.

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 May 28, 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue From Contracts with Customers, and Related Amendments.* The update results in a new revenue recognition standard that eliminates the transaction – and industry-specific revenue recognition guidance under current GAAP and replaces it with a principle-based approach for determining revenue recognition. The FASB subsequently issued (ASU) 2020-05 to delay this standard for non-public organizations to fiscal years beginning after December 15, 2019. The Organization has early adopted the pronouncement and adjusted the presentation of these statements accordingly. No changes to revenue recognized were necessary to conform to the new standard.

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

Recently Issued Accounting Pronouncements:

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 subsequently issued (ASU) 2020-05 for non-public organizations to delay this standard to be effective for fiscal years beginning after December 15, 2021.

B. Investments:

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

	June 30, 2020		June 30, 2019	
	Cost	Fair Value	Cost	Fair Value
Without Donor Restrictions	$ 4,206,408	$ 5,678,107	$ 5,031,660	$ 6,272,933
With Donor Restrictions	2,675,253	2,675,253	2,675,253	2,675,253
	$ 6,881,661	$ 8,353,360	$ 7,706,913	$ 8,948,186

	June 30, 2020		June 30, 2019	
	Cost	Fair Value	Cost	Fair Value
Level 1				
Equity Mututal Funds	$ 3,740,343	$ 4,985,145	$ 3,684,726	$ 4,859,094
Bond Mutual Funds	365,932	375,305	408,825	402,878
Money Market Funds	215,716	215,716	748,384	748,384
	4,321,991	5,576,166	4,841,935	6,010,356
Level 2				
Corporate Bonds	1,133,331	1,225,232	1,129,108	1,142,528
Municipal Bonds	588,070	625,882	557,438	584,190
U.S. Treasuries	744,070	831,881	1,058,020	1,090,700
U.S. Savings Bonds	1,554	1,554	1,502	1,502
	2,467,025	2,684,549	2,746,068	2,818,920
Level 3				
Real Estate Limited Partnerships	92,645	92,645	118,910	118,910
	$ 6,881,661	$ 8,353,360	$ 7,706,913	$ 8,948,186

B. Investments (Continued):

The investments had unrealized gains of $ 1,471,699 as of June 30, 2020 and $ 1,241,273 as of June 30, 2019.

Level 3 investments had a realized gain of $ 2,508. The decrease is due to return of capital of $ 28,773.

Investment management fees were $ 30,054 and $ 43,598 as of June 30, 2020 and 2019, respectively. Investment fees are included in professional fees and contracted fees.

C. Property and Equipment - Net:

	June 30, 2020	June 30, 2019
Buildings	$ 1,799,772	$ 2,661,798
Building Improvements	2,560,270	1,318,628
Computer Equipment	339,409	295,280
Office Equipment	88,127	88,127
Furniture and Equipment Program	200,392	177,178
Vehicles	152,794	152,794
Office Furniture	114,631	114,632
Land	154,538	186,936
Program Furnishings (Residential Only)	40,219	40,219
Land Improvements	111,304	113,518
Idle Assets	-	85,065
Total Property and Equipment	5,561,456	5,234,175
Less Accumulated Depreciation	3,185,214	3,960,470
Property and Equipment - Net	$ 2,376,242	$ 1,273,705

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

D. Construction in Progress:

The property at 4 Caroline Street in Worcester was purchased in 2019 from the Diocese of Worcester for $ 235,825. The Transitional Housing Program commenced operations in November 2019. Total renovations are expected to cost $ 690,000 including $ 144,851 in construction costs at June 30, 2020. The project will be funded internally from the sale of investments.

E. Line of Credit:

During 2020 the Organization obtained a $1,000,000 line of credit with Fidelity Bank. The Organization may borrow from time to time at an interest rate of 2.75% per annum. The Organization did not use the line of credit during 2020.

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, 2020 and 2019 be held as permanent source of income. Net investment income earned is unrestricted for the operations of the Organization.

Flynn, Krasnecky, and Marshall Endowments

Donors' permanent restrictions require that $ 175,253 of principal as of June 30, 2020 and 2019 be held as a permanent source of income. Net investment income earned is temporarily restricted for specific designated purposes.

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

The following summarizes the changes in Endowment Funds:

	June 30, 2020	June 30, 2019
Endowment Net Assets Beginning of Year	$ 2,675,253	$ 2,675,253
Investment Return:		
Interest and Dividends	78,197	84,682
Realized (Loss) Gain on Investments	(23,636)	11,227
Total Investment Return	54,561	95,909
Appropriation of Endowment:		
For Operations	(48,426)	(91,025)
Temporarily Restricted	(6,135)	(4,884)
Total Appropriations	(54,561)	(95,909)
Endowment Net Assets End of Year	$ 2,675,253	$ 2,675,253

H. Changes in Net Assets with Temporary Donor Restrictions:

	For the Year Ended June 30, 2020	For the Year Ended June 30, 2019
Grants, Donations and Fundraising	$ 80,705	$ 106,170
Interest and Dividends	6,135	4,884
	86,840	111,054
Net Assets Released from Restrictions:		
Satisfaction of Program Restrictions	(29,607)	(147,651)
Change in Net Assets with Temporary Donor Restrictions	57,233	(36,597)
Net Assets with Temporary Donor Restrictions Beginning of the Year	270,481	307,078
Net Assets with Temporary Donor Restrictions End of the Year	$ 327,714	$ 270,481

H. 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, 2020	June 30, 2019
Mercy Centre	$ 150,078	$ 162,417
Entire Agency	118,798	48,243
Southbridge Area Office	40,651	41,320
Milford Area Office	18,187	18,501
	$ 327,714	$ 270,481

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

	June 30, 2020	June 30, 2019
Mercy Centre:		
Technology Assistance & Program Enhancement	$ 14,632	$ 56,740
General Relief and Assistance	-	1,824
Milford Area Office:		
General Relief and Assistance	315	8,474
Fuel Assistance	-	1,097
Southbridge Area Office:		
Parent Skills Program	180	3,720
Emergency Assistance	-	335
Entire Agency:		
General Relief and Assistance	11,070	57,330
Emergency Assistance	3,410	18,131
Total Releases From Temporary Restrictions	$ 29,607	$ 147,651

I. Available Resources and Liquidity:

The following represents the Organization's Financial Assets at June 30, 2020 and 2019:

Financial Assets at Year End:	**2020**	**2019**
Cash and Cash Equivalents	$ 1,473,384	$ 642,707
Accounts Receivable	1,329,456	997,558
Accrued Interest Receivable	19,128	18,606
Investments	8,353,360	8,948,186
Total Financial Assets	11,175,328	10,607,057
Less Amounts Not Available to be Used Within One Year:		
Net Assets with Donor Restrictions	3,002,967	2,945,734
Board Designated for Captial Needs	9,082	1,050,000
	3,012,049	3,995,734
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	$ 8,163,279	$ 6,611,323

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 and its $ 1,000,000 line of credit.

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.

J. Paycheck Protection Program Loan:

Paycheck Protection Program loan consists of the following:

	2020	**2019**
Unsecured loann outstanding as part of the *Coronaviurs Aid, Relief and Economic Security Act (Cares Act)* Paycheck Protection Program (PPP).	$ 1,290,841	$ -
Less Current Portion	749,853	-
	$ 540,988	$ -

The long term portion of $ 540,998 is due in 2022.

J. Paycheck Protection Program Loan (Continued):

As of June 30, 2020, the Organization has an unsecured loan outstanding in the amount of $ 1,290,841 due to Small Business Administration (SBA) and administered by a local bank, as part of the *Coronavirus Aid, Relief and Economic Security Act (CARES Act)* Paycheck Protection Program (PPP).

Under the terms of the note dated April 20, 2020, loan payments are deferred until the Organization receives notification from the SBA as to the amount of the loan forgiven. Thereafter, monthly payments are required, including interest at one percent per annum, which approximates the effective interest rate. The note is due on April 20, 2022.

The loan terms provide that a portion or all of the loan is forgivable to the extent that the Organization uses loan proceeds to fund qualifying payroll and other expenses during a designated 24-week period. On June 1, 2021, the Organization received notification from the SBA that the entire loan balance of $ 1,290,841 has been forgiven. On the forgiveness date, the Organization removed the loan balance and related accounts, and recorded in other income on its statement of income, a gain on extinguishment of debt in the amount of $ 1,305,235 including the $ 1,290,841 loan forgiven and $ 14,394 of accrued interest forgiven.

K. 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, 2020 and 2019 was $ 80,936 and $ 82,827, respectively.

L. 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, 2020 and 2019 amounted to $ 4,735 and $ 5,600, respectively.

M. 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.

N. Concentrations:

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. In addition, a substantial amount of revenue is earned from state and federal contracts.

O. 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, 2020, the Organization does not anticipate any material liabilities will result from such audits.

P. 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.

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, 2020 and 2019. As of June 30, 2020 and 2019 there was nothing due from the tenant.

Catholic Charities has cash on deposit in two accounts earning 2.0% and 3.257% per annum in 2020 and 2019, respectively, with the Diocese of Worcester. The account balance as of June 30, 2020 and 2019 were $ 265,655 and $ 366,518, respectively.

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

Q. 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, 2020 the Organization had no excess revenues subject to recoupment.

R. Overall Risk to Operations:

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear currently. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of activities of the Organization for future periods. However, the Organization does not anticipate a material change in operations for fiscal year 2021.

S. Reclassification:

Certain items in the prior year's financial statements have been reclassified to conform to the current year's presentation.

T. Subsequent Events

The Organization has evaluated the financial statement impact of subsequent events occurring through September 29, 2021, the date that the financial statements were available to be issued. The Organization's PPP loan was forgiven on June 1, 2021. 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, 2020

Federal Grantor/Pass-Through Grantor	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipient	Federal Expenditures
U. S. Department of Health and Human Services -				
Block Grants for Prevention and Treatment of Substance Abuse – Pass-Thru From: Massachusetts Department of Public Health	93.959	INTF2304M03171125291	$ -	$ 18,009
			$ -	$ 18,009
U. S. Department of Agriculture :				
Food Distribution Cluster - Emergency Food Assisstance Program (Food Commodities) - Pass-Thru From - Worcester County Food Bank	10.569	None	$ -	$ 754,739
SNAP Cluster - State Administrative Matching Grants for the Supplemental Nutrition Assistance Prgram - Pass-Thru From - SNAP Contract Umass	10.561	None	$ -	$ 19,673
			$ -	$ 774,412
U. S. Department of Labor -				
Senior Community Service Employment Program - Pass-Thru From - Senior Service America, Inc.	17.235	None	$ -	$ 796,300
Department of Homeland Security -				
Emergency Food and Shelter National Board Program - Pass-Thru From - Worcester Cocunty Emergency Food and Shelter Program c/o United Way of Central Massachusetts	97.024	None	$ -	$ 70,460
Total Expenditures of Federal Awards			$ -	$ 1,659,181

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, 2020

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, 2020. 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, 2020, 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 September 29, 2021.

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) as a basis for designing 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.

September 29, 2021

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, 2020. 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, 2020.

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.

September 29, 2021

McCarthy, Hargrave & Co.

CATHOLIC CHARITIES OF THE DIOCESE OF WORCESTER

Schedule of Findings And Questioned Costs
Year Ended June 30, 2020

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	$ 796,300

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, 2020

None.