CATHOLIC CHARITIES
OF THE DIOCESE OF WORCESTER

Financial Statements and Additional Information For The Years Ended June 30, 2021 and 2020 And Independent Auditors' Reports (Single Audit Act)

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Financial Statements
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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, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Catholic Charities of the Diocese of Worcester as of June 30, 2021 and 2020, 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 March 7, 2022, 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.

March 7, 2022

McCarthy, Hargrave & Co.

CATHOLIC CHARITIES OF THE DIOCESE OF WORCESTER

Consolidated Statements of Financial Position

	June 30, 2021	June 30, 2020
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 1,311,180	$ 1,551,122
Accounts Receivable, Net	1,178,060	1,329,456
Employee Retention Tax Credit Receivable	1,688,972	-
Accrued Interest Receivable	19,128	19,128
Prepaid Expenses	48,604	77,253
Total Current Assets	4,245,944	2,976,959
Investments	10,279,436	8,275,622
Property and Equipment - Net	2,437,221	2,376,242
Construction in Progress	6,000	144,851
TOTAL ASSETS	$ 16,968,601	$ 13,773,674
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable and Accrued Expenses	$ 269,578	$ 500,163
Accrued Payroll and Other Liabilities	509,757	462,674
Long Term Debt, Current Portion	-	749,853
Total Current Liabilities	779,335	1,712,690
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	1,000,000	9,082
Property and Equipment	2,437,221	2,376,242
Construction in Progress	6,000	144,851
For Operations	9,811,747	5,986,854
Total	13,254,968	8,517,029
With Donor Restrictions:		
Temporarily	259,045	327,714
Permanently	2,675,253	2,675,253
Total	2,934,298	3,002,967
TOTAL NET ASSETS	16,189,266	11,519,996
TOTAL LIABILITIES AND NET ASSETS	$ 16,968,601	$ 13,773,674

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, 2021	2020
Operating Activities		
Revenues and Other Support		
Local, State and Federal Government Revenue	$ 8,562,794	$ 9,456,481
Partners in Charity	284,222	308,333
Service Fees	57,051	304,591
Interest and Dividends	203,039	253,838
Grants, Donations and Fundraising	738,174	565,267
In-kind Donated Goods and Services	1,181,919	814,406
United Ways	138,881	138,940
Other Income	78,601	83,171
Total Revenues and Other Support	11,244,681	11,925,027
Expenses		
Services to People Challenged by Developmental Disabilites:		
Mercy Centre Job Training and Employment Services	340,902	487,138
Mercy Centre Community Based Adult Day Services	401,707	524,253
Mercy Centre Habilitation Program	520,244	781,526
	1,262,853	1,792,917
Services Through Outreach to Parishes and Communities:		
Literacy Services	111,468	158,981
Crozier House for Men Recovering from Substance Abuse	1,412,656	1,276,133
Refugee Services	5,267	26,371
Bishop's Dinners	178,302	-
Community Services Programs	1,934,823	1,749,476
	3,642,516	3,210,961
Services to Frail and Vulnerable Elders:		
Home Care	2,884,804	3,809,547
Senior Aide Employment	772,083	905,363
	3,656,887	4,714,910
Services to Families and Children:		
Adoption Information and Referral	544	-
Parent Aide and Education	233,242	332,015
Youville House Emergency Shelter for Families	515,257	657,903
	749,043	989,918
Total Program and Support Services	9,311,299	10,708,706
Management and General	2,377,104	1,809,973
Total Expenses	11,688,403	12,518,679
Change in Net Assets from Operations	(443,722)	(593,652)
Nonoperating Activities		
Gain on Forgiveness of Paycheck Protection Program Loan	1,305,235	-
Employee Retention Tax Credit	1,688,972	-
Realized Gain (Loss) on Investments	106,398	(73,724)
Unrealized Gain on Investments	1,785,306	230,426
Non-Operating Contributions	300,000	249,495
(Loss) Gain on Sales of Properties	(72,919)	94,723
	5,112,992	500,920
Change in Net Assets	4,669,270	(92,732)
Net Assets Beginning of the Year	11,519,996	11,612,728
Net Assets End of the Year	$ 16,189,266	$ 11,519,996

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, 2021	2020
Cash Flows From Operating Activities:		
Change in Net Assets	$ 4,669,270	$ (92,732)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Gain on Forgiveness of Paycheck Protection Program Loan	(1,305,235)	-
Employee Retention Tax Credit Receivable	(1,688,972)	-
Depreciation	127,497	92,494
Realized (Gain) Loss on Investments	(106,398)	73,724
Unrealized (Gain) on Investments	(1,785,306)	(230,426)
Accounts Receivable	151,396	(331,898)
Accrued Interest Receivable	-	(522)
Prepaid Expenses	28,649	(19,892)
Accounts Payable and Accrued Expenses	(230,585)	299,208
Accrued Payroll and Other Liabilities	47,083	95,623
Deferred Revenue	-	(68,733)
Net Cash Used By Operating Activities:	(92,601)	(183,154)
Cash Flows From Investing Activities		
Proceeds From Sales of Investments	2,218,740	2,033,150
Purchases of Investments	(2,330,850)	(1,304,459)
Expenditures for Property and Equipment, Net	(188,476)	(1,195,031)
Expenditures for Construction in Progress	138,851	166,493
Net Cash Used by Investing Activities	(161,735)	(299,847)
Cash Flows From Financing Activities:		
Proceeds from Paycheck Protection Program Loan	14,394	1,290,841
Net Cash Provided By Financing Activities	14,394	1,290,841
Net (Decrease) Increase in Cash and Cash Equivalents	(239,942)	807,316
Cash and Cash Equivalents at Beginning of Year	1,551,122	743,806
Cash and Cash Equivalents at End of Year	$ 1,311,180	$ 1,551,122
Supplemental Schedule Of Noncash Operating And Investing Activities:		
Interest paid	$ 14,394	$ -

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, 2021 and 2020

	2021			2020		
	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	$ 267,480	$ 324,864	$ 367,228	$ 305,325	$ 353,248	$ 451,645
Employee Benefits	37,753	34,659	46,128	54,307	56,499	68,736
Payroll Taxes and Other Related Costs	18,628	22,032	26,113	37,352	43,629	51,951
Total Salaries and Related Expenses	323,861	381,555	439,469	396,984	453,376	572,332
Professional Fees and Contracted Services		767	65,685	185	162	85,023
Travel and Transportation	365	6,907	1,933	5,748	13,459	5,297
Office Expense and Printing Costs	2,181	1,899	3,859	2,045	1,888	3,828
Occupancy	1,202	69	730	34,974	32,727	80,876
Dues and Subscriptions						100
Advertising				402	516	1,963
Staff Training and Conferences	175	252	927	416	285	982
Client Assistance			47			
Food and Related Costs				60	52	600
Equipment and Computer Expenses	958	3,834	2,021	1,232	1,115	2,049
Client Wages and Related Costs	8,994	931		41,157	16,338	
In-kind Expense						
Program Supplies and Materials	3,166	5,493	5,210	3,027	3,444	26,364
Depreciation			363	908	891	2,112
Total Expenses	$ 340,902	$ 401,707	$ 520,244	$ 487,138	$ 524,253	$ 781,526

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, 2021 and 2020

(Continued)

	2021					2020				
	Literacy Services	Crozier House	Refugee Services	Bishop's Dinners	Community Services Programs	Literacy Services	Crozier House	Refugee Services	Bishop's Dinners	Community Services Programs
Expenses										
Salaries and Wages	$ 87,786	$1,027,102	$ 3,964	$ -	$ 364,018	$117,544	$ 821,711	$24,573	$ -	$ 402,498
Employee Benefits	9,944	34,540			66,360	20,005	28,644			107,760
Payroll Taxes and Other Related Costs	6,134	67,501	8	-	19,616	10,429	68,646	366	-	32,637
Total Salaries and Related Expenses	103,864	1,129,143	3,972	-	449,994	147,978	919,001	24,939	-	542,895
Professional Fees and Contracted Services		12,277			10,200		29		-	1,300
Travel and Transportation		4,044			3,162	393	2,853			5,445
Office Expense and Printing Costs	781	13,808	1,119	1,132	12,009	1,798	16,630	1,180		14,210
Occupancy	26	31,665	1		19,879	3,496	116,228	85		94,595
Dues and Subscriptions	1,000	19				869				
Advertising					25	253	7,045			6,671
Staff Training and Conferences		2,552		87	744	1,869	3,215			801
Client Assistance		6,119			314,050					194,137
Food and Related Costs	5	153,415	5	81,900	232		143,395			45,540
Equipment and Computer Expenses	4,457	7,896	92		6,102	261	12,312	97		5,820
Client Wages and Related Costs										
In-kind Expense				90,572	1,065,806					770,652
Program Supplies and Materials	1,335	28,611	78	4,611	47,968	1,966	45,249	70		57,039
Depreciation		23,107			4,652	98	10,176		-	10,371
Total Expenses	$111,468	$1,412,656	$ 5,267	$178,302	$ 1,934,823	$158,981	$1,276,133	$26,371	$ -	$ 1,749,476

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, 2021 and 2020

(Continued)

	2021		2020	
	Home Care	Senior Aide Employment	Home Care	Senior Aide Employment
Expenses				
Salaries and Wages	$ 2,390,045	$ 77,614	$ 3,072,068	$ 90,489
Employee Benefits	116,552	9,516	137,600	8,739
Payroll Taxes and Other Related Costs	168,265	51,892	341,388	9,856
Total Salaries and Related Expenses	2,674,862	139,022	3,551,056	109,084
Professional Fees and Contracted Services			23	
Travel and Transportation	77,037	172	97,147	752
Office Expense and Printing Costs	19,030	5,918	27,346	5,769
Occupancy	51,983	3,048	73,077	3,636
Dues and Subscriptions				
Advertising	27		7,847	48
Staff Training & Conferences	288		1,388	48
Client Assistance	1,289		36	
Food and Related Costs	119	27	8	
Equipment and Computer Expenses	18,818	676	19,742	4,129
Client Wages and Related Costs		597,463		742,015
In-kind Expense		25,328		39,432
Program Supplies and Materials	40,903	429	30,853	352
Depreciation	448		1,024	98
Total Expenses	$ 2,884,804	$ 772,083	$ 3,809,547	$ 905,363

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, 2021 and 2020

(Continued)

	2021			2020		
	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	$ 491	$ 168,984	$ 380,240	$ -	$ 240,591	$ 433,383
Employee Benefits	20	35,386	17,819		35,707	15,403
Payroll Taxes and Other Related Costs	33	12,599	24,418	-	20,204	44,476
Total Salaries and Related Expenses	544	216,969	422,477	-	296,502	493,262
Professional Fees and Contracted Services	-			-	131	49
Travel and Transportation		8,089	2,086		18,065	3,107
Office Expense and Printing Costs		4,702	6,691		6,078	9,447
Occupancy		7	61,155		6,720	110,236
Dues and Subscriptions		236			236	
Advertising					287	5,719
Staff Training and Conferences		19	759		162	1,501
Client Assistance			533			
Food and Related Costs			15		42	71
Equipment and Computer Expenses		867	3,021		758	5,312
Client Wages and Related Costs						22
In-kind Expense			213			3,453
Program Supplies and Materials		2,353	7,715		2,581	22,436
Depreciation			10,592		453	3,288
Total Expenses	$ 544	$ 233,242	$ 515,257	$ -	$ 332,015	$ 657,903

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, 2021 and 2020

(Continued)

	2021			2020		
	Total Program and Support Services	Management and General	Total	Total Program and Support Services	Management and General	Total
Expenses						
Salaries and Wages	$ 5,459,816	$ 828,397	$ 6,288,213	$ 6,313,075	$ 723,017	$ 7,036,092
Employee Benefits	408,677	77,975	486,652	533,400	182,690	716,090
Payroll Taxes and Other Related Costs	417,239	260,665	677,904	660,934	244,302	905,236
Total Salaries and Related Expenses	6,285,732	1,167,037	7,452,769	7,507,409	1,150,009	8,657,418
Professional Fees and Contracted Services	88,929	423,717	512,646	86,902	228,937	315,839
Travel and Transportation	103,795	13,379	117,174	152,266	6,300	158,566
Office Expense and Printing Costs	73,129	26,834	99,963	90,219	27,397	117,616
Occupancy	169,765	499,725	669,490	556,650	149,244	705,894
Dues and Subscriptions	1,255	7,496	8,751	1,205	23,921	25,126
Advertising	52	8,522	8,574	30,751	11,606	42,357
Staff Training and Conferences	5,803	18,070	23,873	10,667	37,950	48,617
Client Assistance	322,038	733	322,771	194,173	1,475	195,648
Food and Related Costs	235,718	372	236,090	189,768		189,768
Equipment and Computer Expenses	48,742	84,184	132,926	52,827	87,903	140,730
Client Wages and Related Costs	607,388		607,388	799,532		799,532
In-kind Expense	1,181,919		1,181,919	813,537	868	814,405
Program Supplies and Materials	147,872	38,700	186,572	193,381	21,288	214,669
Depreciation	39,162	88,335	127,497	29,419	63,075	92,494
Total Expenses	$ 9,311,299	$ 2,377,104	$ 11,688,403	$ 10,708,706	$ 1,809,973	$ 12,518,679

The accompanying notes are an integral part of the consolidated 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 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, 2021 and 2020.

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.

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

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

Principles of Consolidation – The consolidated financial statements include the accounts of Catholic Charities of the Diocese of Worcester and Crozier, Inc. because of their inter-relation and common economic interests. All significant inter-organization transactions and accounts have been eliminated.

Basis of Accounting – The accompanying consolidated 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 consolidated 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.

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

Cash and Cash Equivalents – For purposes of the consolidated 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. It also includes temporarily restricted cash with donor restrictions of $ 215,012 and $ 327,714 as of June 30, 2021 and 2020, respectively.

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 consolidated 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 $ 8,574 and $ 42,357 in 2021 and 2020, 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.

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, 2021 and 2020.

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

Income Taxes – Catholic Charities of the Diocese of Worcester and Crozier, Inc. are organized as a Massachusetts not-for-profit corporations and have been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as organizations described in IRC Section 501(c)(3), and 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 Organizations are annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, only Catholic Charities of the Diocese of Worcester 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 Catholic Charities of the Diocese of Worcester 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. Catholic Charities of the Diocese of Worcester paid income tax on unrelated business income from easement revenue for a cell phone antenna at their Mercy Centre location. As of June 30, 2021 and 2020, Catholic Charities of the Diocese of Worcester expensed and paid income taxes of $ 8,441 and $ 15,335, respectively. In addition, for both organizations, 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.

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, 2021		June 30, 2020	
	Cost	Fair Value	Cost	Fair Value
Without Donor Restrictions	$ 4,347,178	$ 7,604,183	$ 4,128,670	$ 5,600,369
With Donor Restrictions	2,675,253	2,675,253	2,675,253	2,675,253
	$ 7,022,431	$ 10,279,436	$ 6,803,923	$ 8,275,622

	June 30, 2021		June 30, 2020	
	Cost	Fair Value	Cost	Fair Value
Level 1				
Equity Mututal Funds	$ 3,042,688	$ 6,187,617	$ 3,740,343	$ 4,985,145
Bond Mutual Funds	474,266	476,831	365,932	375,305
Money Market Funds	171,008	171,008	137,978	137,978
	3,687,962	6,835,456	4,244,253	5,498,428
Level 2				
Corporate Bonds	1,644,056	1,705,831	1,133,331	1,225,232
Municipal Bonds	616,480	651,970	588,070	625,882
U.S. Treasuries	1,061,801	1,074,047	744,070	831,881
U.S. Savings Bonds	1,594	1,594	1,554	1,554
	3,323,931	3,433,442	2,467,025	2,684,549
Level 3				
Real Estate Limited Partnerships	10,538	10,538	92,645	92,645
	$ 7,022,431	$ 10,279,436	$ 6,803,923	$ 8,275,622

The investments had total unrealized gains of $ 3,257,005 as of June 30, 2021 and $ 1,471,699 as of June 30, 2020.

Level 3 investments decrease is due to return of capital of $ 82,107.

Investment management fees were $ 24,423 and $ 30,054 as of June 30, 2021 and 2020, respectively. Investment fees are included in professional fees and contracted fees.

C. Property and Equipment - Net:

	June 30, 2021	June 30, 2020
Buildings	$ 1,799,772	$ 1,799,772
Building Improvements	2,429,141	2,560,270
Computer Equipment	10,041	339,409
Office Equipment	16,720	88,127
Furniture and Equipment Program	196,767	200,392
Vehicles	77,489	152,794
Office Furniture	59,938	114,631
Land	154,538	154,538
Program Furnishings (Residential Only)	17,373	40,219
Land Improvements	108,504	111,304
Total Property and Equipment	4,870,283	5,561,456
Less Accumulated Depreciation	2,433,062	3,185,214
Property and Equipment - Net	$ 2,437,221	$ 2,376,242

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

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 $ 6,000 and $ 144,851 in construction costs at June 30, 2021 and 2020, respectively. The project will be funded internally from the sale of investments.

D. 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 2021 or 2020.

E. 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, 2021 and 2020 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, 2021 and 2020 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,	
	2021	2020
Endowment Net Assets Beginning of Year	$ 2,675,253	$ 2,675,253
Investment Return:		
Interest and Dividends	65,085	78,197
Realized Gain (Loss) on Investments	36,675	(23,636)
Total Investment Return	101,760	54,561
Appropriation of Endowment:		
For Operations	(90,318)	(48,426)
Temporarily Restricted	(11,442)	(6,135)
Total Appropriations	(101,760)	(54,561)
Endowment Net Assets End of Year	$ 2,675,253	$ 2,675,253

F. Changes in Net Assets with Temporary Donor Restrictions:

	For the Year Ended June 30,	
	2021	2020
Grants, Donations and Fundraising	$ -	$ 80,705
Interest and Dividends	11,442	6,135
	11,442	86,840
Net Assets Released from Restrictions:		
Satisfaction of Program Restrictions	(80,111)	(29,607)
Change in Net Assets with Temporary Donor Restrictions	(68,669)	57,233
Net Assets with Temporary Donor Restrictions Beginning of the Year	327,714	270,481
Net Assets with Temporary Donor Restrictions End of the Year	$ 259,045	$ 327,714

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

	June 30,	
	2021	2020
Mercy Centre	$ 154,353	$ 150,078
Entire Agency	50,177	118,798
Southbridge Area Office	40,651	40,651
Milford Area Office	13,864	18,187
	$ 259,045	$ 327,714

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

	June 30,	
	2021	2020
Entire Agency:		
General Relief and Assistance	$ 75,788	$ 11,070
Emergency Assistance	-	3,410
Milford Area Office:		
General Relief and Assistance	4,323	315
Mercy Centre:		
Technology Assistance & Program Enhancement	-	14,632
Southbridge Area Office:		
Parent Skills Program	-	180
Total Releases From Temporary Restrictions	$ 80,111	$ 29,607

G. Available Resources and Liquidity:

The following represents the Organization's Financial Assets at June 30, 2021 and 2020:

	2021	2020
Financial Assets at Year End:		
Cash and Cash Equivalents	$ 1,311,180	$ 1,551,122
Accounts Receivable	1,178,060	1,329,456
Accrued Interest Receivable	19,128	19,128
Employee Retention Tax Credit Receivable	1,553,854	-
Investments	10,279,436	8,353,360
Total Financial Assets	14,341,658	11,253,066
Less Amounts Not Available to be Used Within One Year:		
Net Assets with Donor Restrictions	2,934,298	3,002,967
Board Designated for Captial Needs	1,000,000	9,082
	3,934,298	3,012,049
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	$ 10,407,360	$ 8,241,017

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.

H. Paycheck Protection Program Loan:

Paycheck Protection Program loan consists of the following:

	2021	2020
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

H. Paycheck Protection Program Loan (Continued):

On April 15, 2021, the Organization received notification from the SBA that the entire loan balance of the first Paycheck Protection Program loan 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 activities, a gain on extinguishment of debt in the amount of $ 1,305,235, including $ 14,394 of accrued interest.

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, 2021 and 2020 was $ 86,472 and $ 80,936, 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, 2021 and 2020 amounted to $ 980 and $ 4,735, 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:

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.

M. Contingency:

The Organization receives financial assistance from the federal and state governments. 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, 2021, 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.

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, 2021 and 2020. As of June 30, 2021 and 2020 there was nothing due from the tenant.

Catholic Charities has cash on deposit in two accounts earning 2.0% per annum in 2021 and 2020, respectively, with the Diocese of Worcester. The account balance as of June 30, 2021 and 2020 were $ 271,018 and $ 265,655, respectively.

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

The Commonwealth of Massachusetts has established regulations, which limit the amount of surplus revenue an organization may retain in any year 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, 2021, the Organization had no excess revenues subject to recoupment.

P. 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 2022.

Q. Subsequent Events

The Organization has evaluated the financial statement impact of subsequent events occurring through March 7, 2022, the date that the financial statements were available to be issued. The Organization is not aware of any other subsequent events that would require recognition or disclosure in the financial statement except for a construction contract for approximately $ 465,000 to renovate the residential property located at 19A Ripley Street to become a 12 bed house for Crozier Graduates.

CATHOLIC CHARITIES OF THE DIOCESE OF WORCESTER

Supplementary Schedule of Expenditures of Federal Awards

For The Year Ended June 30, 2021

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 -				
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) - Pass-Thru From: Massachusetts Department of Public Health	93.323	21EHS155CONGREGATERG	$ -	$ 121
Block Grants for Prevention and Treatment of Substance Abuse - Pass-Thru From: Massachusetts Department of Public Health	93.959	INTF2304M03171125291	$ -	$ 50,408
				$ 50,529
U. S. Department of Agriculture -				
Food Distribution Cluster - Emergency Food Assisstance Program (Food Commodities) - Pass Thru From - Worcester County Food Bank	10.569	None	$ -	$ 285,049
SNAP Cluster - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program - Pass-Thru From - SNAP Contract Umass	10.561	None	$ -	$ 3,400
			$ -	$ 288,449
U. S. Department of Labor -				
Senior Community Service Employment Program - Pass-Thru From - Senior Service America, Inc.	17.235	None	$ -	$ 720,561
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	$ -	$ 187,731
Total Expenditures of Federal Awards			$ -	$ 1,247,270

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, 2021

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, 2021. 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. Pass-through entity identifying numbers are presented where available.

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, 2021, 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 March 7, 2022.

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.

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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.

March 7, 2022 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, 2021. 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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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, 2021.

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.

March 7, 2022

McCarthy, Hargrave & Co.

CATHOLIC CHARITIES OF THE DIOCESE OF WORCESTER

Schedule of Findings And Questioned Costs

Year Ended June 30, 2021

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:

Emergency Food Assistance Program (Food Commodities)	10.569	$ 285,049

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, 2021

None.