

**CATHOLIC CHARITIES OF
THE DIOCESE OF YAKIMA**

**COMBINED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2016 AND 2015

**CATHOLIC CHARITIES OF THE DIOCESE OF YAKIMA
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2016 AND 2015**

INDEPENDENT AUDITORS' REPORT	1
COMBINED FINANCIAL STATEMENTS	
COMBINED STATEMENTS OF FINANCIAL POSITION	3
COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS	5
COMBINED STATEMENTS OF FUNCTIONAL EXPENSES	7
COMBINED STATEMENTS OF CASH FLOWS	9
NOTES TO COMBINED FINANCIAL STATEMENTS	11
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 <i>GOVERNMENT AUDITING STANDARDS</i>	21
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE	23
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	26
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – YAKIMA	29
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – TRI-CITIES	32
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS	33
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	34

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Catholic Charities of the Diocese of Yakima
Yakima, Washington

Report on the Financial Statements

We have audited the accompanying combined financial statements of Catholic Charities of the Diocese of Yakima (a nonprofit organization), which comprise the combined statements of financial position as of June 30, 2016 and 2015, and the related combined statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Catholic Charities of the Diocese of Yakima as of June 30, 2016 and 2015, and the changes in their net assets and their 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 audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2016, on our consideration of Catholic Charities of the Diocese of Yakima's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result 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 Yakima's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Yakima, Washington
December 13, 2016

**CATHOLIC CHARITIES OF THE DIOCESE OF YAKIMA
 COMBINED STATEMENTS OF FINANCIAL POSITION
 JUNE 30, 2016 AND 2015**

ASSETS	2016	2015
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 7,045,548	\$ 5,888,480
Restricted Cash	8,121,433	7,909,587
Total	15,166,981	13,798,067
Grants and Accounts Receivable, Net	2,501,191	2,250,284
Prepaid Expenses	30,969	49,468
Inventory	227,321	240,606
Total Current Assets	17,926,462	16,338,425
PROPERTY AND EQUIPMENT		
Land	275,587	315,007
Building	998,975	998,975
Building Improvements	1,459,202	1,597,205
Furniture and Equipment	668,395	714,829
Total	3,402,159	3,626,016
Less: Accumulated Depreciation	(1,748,489)	(1,710,228)
Total	1,653,670	1,915,788
Construction in Progress	227,768	-
Total Property and Equipment	1,881,438	1,915,788
Total Assets	\$ 19,807,900	\$ 18,254,213

See accompanying Notes to Combined Financial Statements.

LIABILITIES AND NET ASSETS	<u>2016</u>	<u>2015</u>
CURRENT LIABILITIES		
Accounts Payable	\$ 1,122,313	\$ 806,287
Accrued Expenses	1,330,913	1,241,130
Deferred Revenues	8,019,773	7,909,587
Current Maturities of Long-Term Debt	<u>105,416</u>	<u>100,013</u>
Total Current Liabilities	10,578,415	10,057,017
NONCURRENT LIABILITIES		
Long-Term Debt, Less Current Maturities	<u>849,468</u>	<u>953,378</u>
Total Noncurrent Liabilities	<u>849,468</u>	<u>953,378</u>
 Total Liabilities	 11,427,883	 11,010,395
CONTINGENCIES		
NET ASSETS		
Unrestricted	8,320,099	7,215,291
Temporarily Restricted	<u>59,918</u>	<u>28,527</u>
Total Net Assets	<u>8,380,017</u>	<u>7,243,818</u>
 Total Liabilities and Net Assets	 <u>\$ 19,807,900</u>	 <u>\$ 18,254,213</u>

**CATHOLIC CHARITIES OF THE DIOCESE OF YAKIMA
COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE			
Grants and Contracts	\$ 22,629,332	\$ -	\$ 22,629,332
Program Service Fees and Sales	1,978,602	-	1,978,602
Contributions	831,323	59,918	891,241
Investment Income	165,046	-	165,046
In-Kind Donations	936,837	-	936,837
Miscellaneous Revenue	389,206	-	389,206
Total	<u>26,930,346</u>	<u>59,918</u>	<u>26,990,264</u>
Net Assets Released from Restrictions	28,527	(28,527)	-
Total Public Support and Revenue	<u>26,958,873</u>	<u>31,391</u>	<u>26,990,264</u>
EXPENSES			
Program Services	22,996,542	-	22,996,542
Management and General	2,496,011	-	2,496,011
Fundraising	361,512	-	361,512
Total Expenses	<u>25,854,065</u>	<u>-</u>	<u>25,854,065</u>
CHANGES IN NET ASSETS	1,104,808	31,391	1,136,199
Net Assets - Beginning of Year	<u>7,215,291</u>	<u>28,527</u>	<u>7,243,818</u>
NET ASSETS - END OF YEAR	<u>\$ 8,320,099</u>	<u>\$ 59,918</u>	<u>\$ 8,380,017</u>

See accompanying Notes to Combined Financial Statements.

**CATHOLIC CHARITIES OF THE DIOCESE OF YAKIMA
 COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
 YEAR ENDED JUNE 30, 2015**

	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE			
Grants and Contracts	\$ 19,325,474	\$ -	\$ 19,325,474
Program Service Fees and Sales	2,428,187	-	2,428,187
Contributions	877,251	28,527	905,778
Investment Income	127,901	-	127,901
In-Kind Donations	37,000	-	37,000
Miscellaneous Revenue	435,472	-	435,472
Total	23,231,285	28,527	23,259,812
Net Assets Released from Restrictions	131,372	(131,372)	-
Total Public Support and Revenue	23,362,657	(102,845)	23,259,812
 EXPENSES			
Program Services	20,327,452	-	20,327,452
Management and General	1,858,952	-	1,858,952
Fundraising	347,898	-	347,898
Total Expenses	22,534,302	-	22,534,302
 CHANGES IN NET ASSETS	828,355	(102,845)	725,510
Net Assets - Beginning of Year	6,386,936	131,372	6,518,308
 NET ASSETS - END OF YEAR	\$ 7,215,291	\$ 28,527	\$ 7,243,818

See accompanying Notes to Combined Financial Statements.

**CATHOLIC CHARITIES OF THE DIOCESE OF YAKIMA
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016**

	Children's Services	Child Welfare	Counseling	Elder Services	St. Vincent Centers Program	Fundraising	Management and General	Total
Salaries	\$ 2,278,873	\$ 634,858	\$ 7,237,475	\$ 254,088	\$ 354,103	\$ 145,082	\$ 1,265,501	\$ 12,169,980
Employee Benefits	343,395	85,235	870,711	38,121	58,816	16,069	129,207	1,541,554
Payroll Taxes	204,160	54,744	601,937	22,321	53,799	11,088	127,870	1,075,919
Subtotal	<u>2,826,428</u>	<u>774,837</u>	<u>8,710,123</u>	<u>314,530</u>	<u>466,718</u>	<u>172,239</u>	<u>1,522,578</u>	<u>14,787,453</u>
Specific Assistance to Individuals	3,292,919	627,609	83,713	346,089	43,768	16,296	2,644	4,413,038
Professional and Contract Services	32,123	70,484	821,506	191	7,029	19,449	146,570	1,097,352
Occupancy Fees	214,892	29,555	803,399	10,755	148,435	4,437	55,520	1,266,993
Technology Cost	82,667	19,077	308,944	8,442	7,477	1,353	323,921	751,881
Supplies and Inventory Costs	291,631	31,283	742,264	8,787	815,913	50,025	53,936	1,993,839
Travel and Conferences	236,092	62,315	224,498	23,130	6,635	14,288	69,969	636,927
Miscellaneous	18,266	11,296	221,706	15,568	54,322	75,346	253,489	649,993
Depreciation	25,854	18,625	121,498	6,507	8,642	8,079	67,384	256,589
Subtotal	<u>7,020,872</u>	<u>1,645,081</u>	<u>12,037,651</u>	<u>733,999</u>	<u>1,558,939</u>	<u>361,512</u>	<u>2,496,011</u>	<u>25,854,065</u>
Management and General Allocated to Programs	492,117	126,521	1,589,317	44,818	51,581	-	(2,304,354)	-
Total Expenses	<u>\$ 7,512,989</u>	<u>\$ 1,771,602</u>	<u>\$ 13,626,968</u>	<u>\$ 778,817</u>	<u>\$ 1,610,520</u>	<u>\$ 361,512</u>	<u>\$ 191,657</u>	<u>\$ 25,854,065</u>

See accompanying Notes to Combined Financial Statements.

**CATHOLIC CHARITIES OF THE DIOCESE OF YAKIMA
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015**

	Children's Services	Child Welfare	Counseling	Elder Services	St. Vincent Centers Program	Fundraising	Management and General	Total
Salaries	\$ 1,939,667	\$ 610,083	\$ 5,969,098	\$ 276,265	\$ 447,765	\$ 168,412	\$ 1,060,300	\$ 10,471,590
Employee Benefits	320,862	83,609	799,431	42,558	78,555	13,026	123,825	1,461,866
Payroll Taxes	180,533	54,038	523,282	25,121	64,602	13,502	76,321	937,399
Subtotal	2,441,062	747,730	7,291,811	343,944	590,922	194,940	1,260,446	12,870,855
Specific Assistance to Individuals	3,332,194	613,212	222,860	279,741	254,940	969	3,627	4,707,543
Professional and Contract Services	178,446	100,478	1,005,403	6,917	19,849	4,681	153,458	1,469,232
Occupancy	113,378	19,437	237,971	11,571	211,054	6,915	44,967	645,293
Miscellaneous	15,912	7,604	80,458	27,456	46,593	83,994	106,338	368,355
Supplies	169,399	19,167	139,147	13,586	891,912	42,258	49,372	1,324,841
Travel	152,702	56,015	158,310	25,996	4,663	8,480	35,351	441,517
Depreciation	21,864	8,895	20,663	538	9,282	2,253	161,914	225,409
Telephone and Internet Charges	39,267	13,969	83,379	7,758	9,946	2,285	10,876	167,480
Equipment Expense	25,435	14,957	227,846	11,813	-	1,123	32,603	313,777
Subtotal	6,489,659	1,601,464	9,467,848	729,320	2,039,161	347,898	1,858,952	22,534,302
Management and General Allocated to Programs	185,950	72,997	651,321	25,096	61,670	-	(997,034)	-
Total Expenses	<u>\$ 6,675,609</u>	<u>\$ 1,674,461</u>	<u>\$ 10,119,169</u>	<u>\$ 754,416</u>	<u>\$ 2,100,831</u>	<u>\$ 347,898</u>	<u>\$ 861,918</u>	<u>\$ 22,534,302</u>

See accompanying Notes to Combined Financial Statements.

**CATHOLIC CHARITIES OF THE DIOCESE OF YAKIMA
COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Clients, Fees, and Contracts	\$ 26,684,497	\$ 26,503,417
Cash Paid to Suppliers and Employees	(25,045,742)	(21,149,252)
Interest Received	165,046	127,901
Interest Paid	(91,976)	(61,335)
Net Cash Provided by Operating Activities	<u>1,711,825</u>	<u>5,420,731</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in Property and Equipment	(244,404)	(96,427)
Net Cash Used by Investing Activities	<u>(244,404)</u>	<u>(96,427)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings on Long-Term Debt	-	44,003
Payments on Long-Term Debt	(98,507)	(137,538)
Net Cash Used by Financing Activities	<u>(98,507)</u>	<u>(93,535)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,368,914	5,230,769
Cash and Cash Equivalents - Beginning of Year	<u>13,798,067</u>	<u>8,567,298</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 15,166,981</u></u>	<u><u>\$ 13,798,067</u></u>
CASH - END OF YEAR CONSISTED OF THE FOLLOWING:		
Cash and Cash Equivalents	\$ 7,045,548	\$ 5,888,480
Restricted Cash	<u>8,121,433</u>	<u>7,909,587</u>
Total	<u><u>\$ 15,166,981</u></u>	<u><u>\$ 13,798,067</u></u>

See accompanying Notes to Combined Financial Statements.

	<u>2016</u>	<u>2015</u>
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Changes in Net Assets	\$ 1,136,199	\$ 725,510
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	256,589	225,409
Loss on Disposal of Assets	22,165	-
(Increase) Decrease in Assets:		
Grants and Accounts Receivable	(250,907)	(408,800)
Prepaid Expenses	18,499	(12,217)
Inventory	13,285	32,019
Increase (Decrease) in Liabilities:		
Accounts Payable	316,026	64,430
Accrued Expenses	89,783	141,116
Deferred Revenue	110,186	4,653,264
Total Adjustments	<u>575,626</u>	<u>4,695,221</u>
Net Cash Provided by Operating Activities	<u>\$ 1,711,825</u>	<u>\$ 5,420,731</u>

**CATHOLIC CHARITIES OF THE DIOCESE OF YAKIMA
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Catholic Charities of the Diocese of Yakima (Catholic Charities), which includes the network of Catholic Family & Child Service (CFCS) agencies and St. Vincent Centers (collectively, the Organization), is a nonprofit, social service organization. All financial transactions are centralized and kept by the accounting department located in the main office of Catholic Charities. These combined financial statements include amounts and activities related to all divisions of Catholic Charities.

Nature of Operations and Services Provided

The Organization is a social service, child care, and mental health service agency operating and providing services throughout Central Washington, which began operations in 1949. The Organization's services address the needs of children, adults, and families from all socioeconomic, religious, and ethnic backgrounds, and are offered in locations throughout Central Washington to provide access to all individuals and families. The Organization's major source of revenue includes state and federal grants, private grants and contributions, store sales, and program service fees.

Services provided are as follows:

Children's Services:

Carroll Children's Center – A licensed child care and early education facility that provides developmental classrooms serving children ages one month through age five. The program includes low-income preschool-aged children and their families served through the Early Childhood Education and Assistance Program.

Medicaid Treatment Child Care/ ECLIPSE – A licensed early learning program that provides integrated mental health services to high risk children from 12 months through age five. The children spend four hours per day in a therapeutic environment participating in developmentally appropriate activities which promote optimal social/emotional development. The therapist and home visitor work with parents/caregivers in collaboration with allied service providers to support positive parenting.

Child Care Nutrition – Provides monitoring and reimbursement to licensed family child care providers for serving nutritious meals and snacks according to USDA guidelines.

Child Care Aware – Provides information to parents regarding licensed child care. Professional development and consultation is offered to licensed child care providers to improve quality and care provided to children. The program also supports informal caregivers through Play and Learn groups to enhance children's school readiness. Child Care Aware provides technical assistance and coaching to Early Achievers to assist them in developing an environment with a quality rating of excellence.

CATHOLIC CHARITIES OF THE DIOCESE OF YAKIMA
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nature of Operations and Services Provided (Continued)

Children's Services (Continued):

Parents as Teachers – An early childhood home visiting program providing parent education and support to families with children prenatal through age five, designed to enhance child development and kindergarten readiness.

Family Parenting – Provides parents, families, and children with in-home and classroom education and support groups to improve family management, including: Parent Trust groups for women in recovery, Strengthening Families, and Parent Education.

The Community Resource Outreach Team – Provides bilingual resources in early identification of high risk children. Educators focus on referrals to community-based resources for families to successfully meet the needs of children and their families.

Project LAUNCH – An expansion grant from Washington State Department of Health to improve early childhood systems, strengthen parenting competencies, and improve children's developmental and behavioral outcomes in more communities.

Early Childhood Education and Assistance Program (ECEAP) – A pre-kindergarten program that prepares three- and four-year-old children from low-income families for success in school and life through its focus on the well-being of the whole child by providing comprehensive nutrition, health, education and family support services.

Child Welfare:

Foster Care – Recruits and licenses foster homes for children who cannot be cared for by biological parents and provides critical case management and support for high-risk children in foster care.

Foster Teen Program – Helps foster youth develop the skills needed to make a successful transition to adulthood through education, employment, housing support, and family relationships.

Pregnancy and Parenting – Support and counseling is provided to women experiencing an unplanned pregnancy and assistance in developing a parenting plan and linkage to appropriate services, whether choosing to parent or by developing an adoption plan.

PREPARES – Pregnancy and parenting support is provided to young families with children up to age five, through volunteer mentors and a network of support primarily through parishes and some Catholic organizations. Parents receive assistance with basic needs and support through the journey of parenting.

Kinship Navigator Program – Assists grandparents and other related providers in understanding and navigating the system of services available for children living in their care.

CATHOLIC CHARITIES OF THE DIOCESE OF YAKIMA
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nature of Operations and Services Provided (Continued)

Counseling:

Outpatient Counseling – Individual, marital, family, and group counseling is offered to community members seeking service for abuse, parent-child problems, grief and loss, adjustment, depression, anxiety, attachment, bonding, and other issues affecting optimal mental health functioning. A strength-based approach is used to empower individuals and families with a focus on health and wellness.

Valley Intervention Program – “Hands on” parent training is provided within a behavioral model for preschool children who are experiencing behavior problems. The program assists parents in regaining control of their preschool-aged child and focusing attention on positive behavior. Therapeutic classrooms with integrated mental health services provide an option for children with social, emotional, or behavior issues to prepare them for success in kindergarten.

Jail Liaison Program – Assists individuals who are incarcerated with the goal of reducing recidivism with adults and mentally ill in Chelan and Douglas counties.

PACT – Assists chronically mentally ill individuals in Chelan and Douglas counties through a model that offers intensive interventions designed to reduce hospitalizations and support rehabilitation and recovery.

Veteran’s Housing Services – Supports veterans in obtaining affordable housing. This program ended September 30, 2015.

Crisis Mental Health Services – Provides crisis mental health services and mobile outreach to children, youth, and adults experiencing a crisis episode in Chelan and Douglas counties.

Elder Services:

Volunteer Services – Recruits community volunteers to provide low-income elderly persons and adults with disabilities assistance to remain independent within their own homes. Volunteers assist with minor home repairs, yard work, shopping, transportation, laundry, housework, and many other tasks to help those in need.

CATHOLIC CHARITIES OF THE DIOCESE OF YAKIMA
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nature of Operations and Services Provided (Continued)

Elder Services (Continued):

Foster Grandparent Program – Volunteers serve as one-on-one tutors and mentors for at-risk children and youth with special needs through a variety of community organizations such as Head Start, child care centers, and schools.

Respite Adult Day Center – The Respite Adult Day Center gives cognitively disabled adults the opportunity to make new friends and participate in a variety of enjoyable activities in safe and comfortable surroundings while at the same time providing a period of much needed rest for family members who are caring for their loved one at home. This program ended on June 30, 2016.

Senior Companion Program – Utilizes senior volunteers to provide companionship to other isolated low-income elders and individuals with disabilities who live in assisted facilities or their homes in four county areas: Benton, Franklin, Walla Walla, and Yakima.

Retired Senior Volunteer Program – Volunteer opportunities for individuals age 55 and over to make a difference in the lives of those in need in their local community.

St. Vincent Centers:

St. Vincent Centers – The St. Vincent Centers program provides assistance to families through its two thrift stores, emergency services programs, and food bank. The assistance provided offers crisis relief to those facing hardship by providing clothing, household items, food, and shelter.

Financial Statement Presentation

Catholic Charities presents its combined financial statements in accordance with accounting principles generally accepted in the United States of America. The full accrual basis of accounting is used to record revenues and expenses. Accordingly, all revenues and expenses are recognized when earned and incurred.

CATHOLIC CHARITIES OF THE DIOCESE OF YAKIMA
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

The Organization reports information regarding their financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. Further, the Organization reports contributions received as unrestricted, temporarily restricted, or permanently restricted support depending upon the existence or nature of any donor restrictions. Net assets are classified based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted Net Assets – Unrestricted net assets are funds controlled by the organization and board of trustees that have not been restricted by law or by donor or funder imposed restrictions and include the general, operating, and equipment accounts. \$100,000 of unrestricted net assets has been designated by the Board of Directors for Champoux Endowment Fund.

Temporarily Restricted Net Assets – Temporarily restricted net assets are controlled by law or donor- or funder-imposed restrictions that allow use of the assets as specified either by the passage of time or by actions of the Organization. As of June 30, 2016 and 2015, the Organization had \$59,918 and \$28,527, respectively, in temporarily restricted net assets.

Permanently Restricted Net Assets – Permanently restricted net assets are controlled by law or donor-imposed restrictions which state that they be maintained in perpetuity by the Organization. As of June 30, 2016 and 2015, the Organization had no permanently restricted net assets.

Contributions

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support. During the years ended June 30, 2016 and 2015, \$28,527 and \$131,372, respectively, of temporarily restricted net assets, were released from restrictions.

Contributed Services and Materials

Contributed materials are recorded as support at estimated value and expensed or capitalized as appropriate. The Organization does not recognize support, revenue, or expenses from services contributed by volunteers to support program activities because a measurable basis does not exist.

CATHOLIC CHARITIES OF THE DIOCESE OF YAKIMA
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses

Catholic Charities allocates its expenses on a functional basis among its various programs. Expenses that can be identified with a specific program are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated according to the approved cost allocation plan.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those instruments. At times, cash may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit.

Restricted Cash

Restricted cash consists of funds designated for the recognition of deferred revenue and establishment of operating reserves. Restricted cash consisted of the following deposits as of June 30:

	<u>2016</u>	<u>2015</u>
Counseling	\$ 6,969,740	\$ 7,188,289
Early Learning	996,698	696,260
Child Welfare	53,893	20,193
Elder Services	11,908	4,845
Champoux Endowment Fund	89,194	-
Total	<u>\$ 8,121,433</u>	<u>\$ 7,909,587</u>

Receivables

Receivables, which are unsecured, arising from fee-for-service programs, are reduced by an allowance for estimated contractual allowance and uncollectible accounts. Receivables are carried at original invoice amount less the estimated allowances based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. As of June 30, 2016 and 2015, the allowance for doubtful accounts was \$110,991 and \$22,357, respectively. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received.

Inventory

Inventory consists mainly of donated goods such as clothing, furniture, and household items contributed to the Organization that will be provided to support the St. Vincent Centers. Inventory also includes donated and/or purchased food for the Organization's food bank program. Inventory is recorded and reflected in the accompanying combined financial statements at their estimated fair value. Noncash contributed goods are recorded at their estimated fair value at the date of receipt.

CATHOLIC CHARITIES OF THE DIOCESE OF YAKIMA
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

The Organization records significant property and equipment acquisitions at cost. A threshold of \$5,000 is established for capitalizing assets. Donated assets are recorded at estimated fair value at the date of contribution, which is thereafter treated as cost. Expenditures for maintenance and repairs are charged to operations as incurred. Repairs which extend the useful life and major remodels are capitalized. When assets are disposed of, the related costs and accumulated depreciation or amortization is removed from the accounts and the resulting gain or loss is classified as non-operating revenue or expense.

Construction in Progress (CIP)

The organization is constructing a building for Early Childhood Education. The building is anticipated to be completed in the summer of 2017 with a total estimated cost of \$4 million. The project is being financed by CRP.

Depreciation

Depreciation is generally taken over the estimated useful service life of the asset using the straight-line method as follows:

Buildings	25 Years
Building Improvements	5-10 Years
Furniture and Equipment	3-7 Years

Use of Estimates

The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations of Credit Risk

The Organization maintains cash balances in several cash accounts with financial institutions and the Diocese of Yakima Capital Revolving Program (CRP), a separate legal nonprofit corporation affiliated with the Organization. The balances on deposit with financial institutions and the CRP are in excess of the FDIC insurance limits. Management does not anticipate any material effect on the financial position of the Organization as a result of this concentration.

CATHOLIC CHARITIES OF THE DIOCESE OF YAKIMA
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue

The Organization defers revenue that has been designated for a specific service. Deferred revenue will be recognized as services are performed and the funds have been spent for the intended purpose.

	2016	2015
Counseling	\$ 6,392,187	\$ 7,188,289
Early Learning	1,567,786	696,260
Child Welfare	34,294	20,193
Elder Services	7,527	4,845
Other Services	17,979	-
Total	<u>\$ 8,019,773</u>	<u>\$ 7,909,587</u>

Fair Value of Financial Instruments

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The Organization follows the accounting policy which measures fair value using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. The Organization currently does not have any financial assets or financial liabilities that are measured at fair value on a recurring or nonrecurring basis.

Prepaid Lease

During the year ended June 30, 2016, the Organization received a grant to pay the full costs of an operating lease for a mobile office as well as other expenses. The grant revenue included revenue of \$75,800 associated with future lease periods. At the request of the funder both the grant revenue and prepaid expense were recorded during the grant period; the amount of the lease prepaid at yearend expensed per grantor request. The Organization will continue to use the office for the designated grant purpose through the end of the prepaid lease term.

Federal Income Tax

Under provisions of Section 501(c)(3) of the Internal Revenue Code, the Organization is exempt from federal income taxes, except for net income from unrelated business activities. As of June 30, 2016 and 2015, the Organization had no unrelated business activities subject to federal income taxes.

Management evaluated the Organization's tax positions and concluded that the Organization had taken no significant uncertain tax positions that require adjustments to the financial statements to comply with provisions of Topic 740 of the *Accounting Standards Codification*.

The Organization's tax returns are subject to review and examination by federal authorities.

Reclassifications

Certain 2015 balances have been reclassified to conform with the 2016 presentation with no effect on previously reported net assets.

CATHOLIC CHARITIES OF THE DIOCESE OF YAKIMA
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

In preparing in these combined financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 13, 2016, the date the combined financial statements were available to be issued.

On October 7, 2016, the Organization sold a building in Wenatchee for \$900,000. At that time the Banner Bank Mortgage disclosed in Note 3 was paid off. The Organization received a promissory note of approximately \$870,000 secured by the property. The note includes interest of 5% and has a final balloon payment in August 2020.

NOTE 2 AFFILIATED PARTY TRANSACTIONS

Cash and Cash Equivalents

The Organization has funds on deposit with the CRP. The CRP uses the funds to extend loans to parishes or to fulfill other of its depositors needs. The CRP pays interest on the deposits similar to money market rates offered by local banks. Interest accrues and is paid to the Organization monthly. Cash of \$2,080,438 and \$2,063,697 was on deposit with the CRP as of June 30, 2016 and 2015, respectively. Such amounts are not FDIC insured.

Borrowings

The Organization has outstanding borrowings with the CRP. See Note 3.

NOTE 3 LONG-TERM DEBT

Long-term debt consisted of the following at June 30:

	<u>2016</u>	<u>2015</u>
Banner Bank, Payable \$4,238 Monthly, Including Variable Interest (5.25% as of June 30, 2015), Due July 15, 2021; Collateralized by Building - Catholic Charities of the Diocese of Yakima	\$ 432,039	\$ 450,345
Unsecured Note Payable to CRP, Payable \$3,167 Monthly, Including Interest at 5.25%, Due April 1, 2023 - Catholic Charities of the Diocese of Yakima	217,819	243,647
Unsecured Note Payable to CRP, Payable \$3,755 Monthly, Including Interest at 5.25%, Due November 1, 2024 - Catholic Charities of the Diocese of Yakima	278,884	308,449
Unsecured Note Payable to CRP, Building Improvement, Payable \$2,241 Monthly, Including Interest at 5.25%, Due June 1, 2017 - Catholic Charities of the Diocese of Yakima	26,142	50,950
Total	<u>954,884</u>	<u>1,053,391</u>
Less: Current Maturities	<u>105,416</u>	<u>100,013</u>
Total Long-Term Debt	<u>\$ 849,468</u>	<u>\$ 953,378</u>

CATHOLIC CHARITIES OF THE DIOCESE OF YAKIMA
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 3 LONG-TERM DEBT (CONTINUED)

Principal maturities of long-term debt are as follows:

Year Ending June 30,	Amount
2017	\$ 105,416
2018	83,498
2019	87,947
2020	92,585
2021	97,871
Thereafter	487,567
Total	\$ 954,884

NOTE 4 SPECIAL EVENTS

The Organization has an Annual Auction and Gala in the Tri-Cities that consists of sales of items and services donated by individuals and various local businesses. The Organization also holds annual events, the CFCS Annual Benefit Dinner in Wenatchee, and the CFCS Garden Gala in Yakima. The revenue and expenses from special events were as follows:

	2016	2015
Revenue	\$ 164,563	\$ 205,669
Expenses	54,404	67,351
Net Proceeds from Special Events	\$ 110,159	\$ 138,318

NOTE 5 RETIREMENT PLAN

The Organization participates in a 403(b) defined contribution retirement plan (the Plan) sponsored by Catholic Charities. Employees may participate in the Plan if they are age 21 or older, have been employed for 12 consecutive months, and work in excess of 1,000 hours per year. The Organization contributes 5% of the eligible employee's salary to the Plan. Employees are 100% vested and may make voluntary contributions to the Plan. During the years ended June 30, 2016 and 2015, the Organization contributed \$388,002 and \$308,917, respectively, to the Plan.

NOTE 6 CONTINGENCIES

Grants require the fulfillment of certain conditions as set forth in the grant instrument. Failure to fulfill the conditions of the grant could result in the return of funds to grantors. Although that is a possibility, management and the board deems the contingency remote since, by accepting the funds and the terms, it has accommodated the objectives of the Organization to the provisions of the grant.

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

Board of Trustees
Catholic Charities of the Diocese of Yakima
Yakima, Washington

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 Yakima, which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and changes in unrestricted net assets, statements of functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 13, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Catholic Charities of the Diocese of Yakima's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Catholic Charities of the Diocese of Yakima's internal control. Accordingly, we do not express an opinion on the effectiveness of Catholic Charities of the Diocese of Yakima'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 a 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies: 2016-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Catholic Charities of the Diocese of Yakima's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Catholic Charities of the Diocese of Yakima's Response to Finding

Catholic Charities of the Diocese of Yakima's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Catholic Charities of the Diocese of Yakima's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

Yakima, Washington
December 13, 2016

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

Board of Trustees
Catholic Charities of the Diocese of Yakima
Yakima, Washington

Report on Compliance for Each Major Federal Program

We have audited Catholic Charities of the Diocese of Yakima's (the Association) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Association's major federal programs for the year ended June 30, 2016. The Association's major federal programs are 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 each of the Association's major federal programs 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 the Association'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 each major federal program. However, our audit does not provide a legal determination of the Association's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the Association 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 the Association's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for 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 the Association'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-002, that we consider to be a significant deficiency.

Board of Trustees
Catholic Charities of the Diocese of Yakima

The Organization's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

CliftonLarsonAllen LLP

Yakima, Washington
December 13, 2016

**CATHOLIC CHARITIES OF THE DIOCESE OF YAKIMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified not considered to be material weakness(es)? X yes _____ 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 not considered to be material weakness(es)? X yes _____ none reported

Type of auditors’ report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with CFR 200.516(a)? X yes _____ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.558	Child and Adult Care Food Program

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

Auditee qualified as low-risk auditee? X yes _____ no

**CATHOLIC CHARITIES OF THE DIOCESE OF YAKIMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

SECTION II – FINANCIAL STATEMENT AUDIT

Finding 2016-001

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting.

Criteria: Management of Catholic Charities of the Diocese of Yakima (the Organization) is responsible for establishing and maintaining a system of internal controls for the fair presentation of the basic combined financial statements in accordance with accounting principles generally accepted in the United States of America.

Condition: Over the course of the audit several journal entries were recorded to present fairly the basic combined financial statements and multiple accounts were not reconciled timely as of year end, including cash, accounts/grants receivable and related revenues, capital assets, accrued liabilities, and related expenditures. However, the entries in the aggregate did not result in material adjustments to the combined financial statements as a whole.

Cause: Deficiency in controls surrounding the monthly reconciliations and financial close processes of the Organization's accounting records were a result of a breakdown in controls. Turnover in personnel was a contributing factor in the condition.

Effect: Several accounts required adjustments in order to properly state the account balances at year end. The entries were not material to the combined financial statements taken as a whole, though a lack of internal controls to ensure timely and accurate reconciliations throughout the year and at year end results in governance not having accurate information for decision making. In addition, a breakdown in internal controls to consistently reconcile account balances increases the risk of the combined financial statements being materially misstated.

Recommendation: We recommend management ensure controls are being adhered to, to ensure transactions are recorded in the proper periods and accounts are reconciled as part of the year end closing process.

Corrective Action Plan: The Organization lost its Controller shortly before year end without notice. As a result, some reconciliation and other procedures were not done as timely as in the past. The Organization has hired a new Controller and added an additional position. In addition, the Organization has implemented more cross training to ensure transactions are recorded in the proper periods and accounts are reconciled timely as a part of the year end process.

**CATHOLIC CHARITIES OF THE DIOCESE OF YAKIMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2016-002

Federal Agency:	Department of Agriculture
Federal Program:	Child and Adult Care Food Program
CFDA Number:	10.558
Award Period:	10/1/14 – 9/30/16

Type of Finding: Significant Deficiency in Internal Control over Compliance.

Criteria: The Organization's management is required to prepare the schedule of expenditures of federal awards (SEFA) and related footnote disclosures.

Condition: Our audit procedures included SEFA completeness testing during the year under audit and in several instances there were contract titles, periods, numbers, and amounts incorrect. In addition, several federal expenditure totals included amounts from the prior period which overstated federal expenditures.

Context: The Organization is required to develop and implement internal controls to ensure the accuracy and completeness of the SEFA.

Questioned Costs: None.

Cause: The Organization does not have cross training and job duties defined for the purposed of preparing and reviewing the SEFA.

Effect: The Organization was out of compliance with SEFA preparation requirements.

Prior Finding: None

Recommendation: We recommend the Organization charge an individual, and a backup if possible, with the responsibility of tracking federal awards and expenditures, as well as preparing the SEFA on a monthly basis. We recommend an independent review and reconciliation to the general ledger be performed at least quarterly to identify any inaccuracies.

Corrective Action Plan: The Organization lost its Controller shortly before year end without notice. The Controller was in charge of preparing the SEFA. As a result of the sudden departure and the Organizations failure to cross train another individual, the SEFA report did contain errors which were later corrected. The Organization has hired a new Controller who will cross train an additional staff member on preparing, reconciling and compiling back-up documentation to support the SEFA on a monthly basis. The Controller's preparation of the SEFA will be reviewed by the CFO quarterly.

**CATHOLIC CHARITIES OF THE DIOCESE OF YAKIMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – YAKIMA
YEAR ENDED JUNE 30, 2016**

Program Title	Federal CFDA Number	Contract Period	Contract Number	Contract Amount	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION					
<i>Passed Through Child Care Resource and Referral Network</i>					
Race to the Top - Early Learning Challenge	84.412	7/1/14 - 12/30/15	0-110-201115-6100 #2	\$ 876,104	\$ 35,462
Race to the Top - Early Learning Challenge	84.412	7/1/15 - 6/30/16	0-110-201115-6100 #3	<u>302,032</u>	<u>115,395</u>
Total U.S. Department of Education				<u>1,178,136</u>	<u>150,857</u>
U.S. DEPARTMENT OF AGRICULTURE					
<i>Passed Through State of Washington Superintendent of Public Instruction</i>					
Child and Adult Care Food Program	10.558	10/1/14 - 9/30/15	39-02-1436	Per Meal Rate	998,358
Child and Adult Care Food Program	10.558	10/1/15 - 9/30/16	39-02-1436	<u>Per Meal Rate</u>	<u>2,707,367</u>
Total U.S. Department of Agriculture				-	<u>3,705,725</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
<i>Passed Through the Office of Aging and Long-Term Care</i>					
National Family Caregiver Support	93.044/93.052	1/1/15 - 12/31/15	2015 CFCS (ADCRESPITE)	17,500	11,720
National Family Caregiver Support	93.052	1/1/16 - 12/31/16	2016 CFCS (ADCRESPITE) - Mod 1	29,000	6,318
<i>Passed Through Southeast Washington Aging and Long-Term Care Council of Governments</i>					
Kinship Caregiver Support Program	93.052	7/1/15 - 6/30/16	CFCS (Kinship) 2015-2016 - Mod 2	<u>134,853</u>	<u>133,362</u>
Total National Family Caregiver Support				<u>181,353</u>	<u>151,400</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

CATHOLIC CHARITIES OF THE DIOCESE OF YAKIMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – YAKIMA (CONTINUED)
YEAR ENDED JUNE 30, 2016

Program Title	Federal CFDA Number	Contract Period	Contract Number	Contract Amount	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)					
<i>Passed Through Chelan-Douglas Region Support Network</i>					
Block Grants for Community Mental Health Services (MHBG)	93.958	7/1/15 - 3/31/16	CFCS FBG Programs - No. 2015/16	\$ 73,790	\$ 72,257
Block Grants for Community Mental Health Services (MHBG)	93.958	4/1/16 - 6/30/17	CFCS FBG Programs - No. 2016/17-0001	<u>87,625</u>	<u>87,625</u>
Total Block Grants for Community Mental Health Services (MHBG)				161,415	159,882
Substance Abuse and Mental Health Services Projects of Regional and National Significance (PRNS)	93.243	10/1/14 - 9/30/15	PORCH Contract No. 2015	131,704	33,459
Substance Abuse and Mental Health Services Projects of Regional and National Significance (PRNS)	93.243	10/1/15 - 3/31/16	PORCH Contract No. 2016	70,000	57,139
Substance Abuse and Mental Health Services Projects of Regional and National Significance (PRNS)	93.243	4/1/16 - 9/30/16	PORCH Contract No. 2016-2	80,000	30,000
<i>Passed Through Washington Department of Health</i>					
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	10/1/15 - 10/31/19	N21806 - Amend 1	<u>408,293</u>	<u>165,107</u>
Total Substance Abuse and Mental Health Services				689,997	285,705
<i>Passed Through North Central Washington Behavioral Health</i>					
Projects for Assistance in Transition from Homelessness (PATH)	93.150	10/1/15 - 3/31/16	PATH Contract No. 2016	13,500	13,500
Projects for Assistance in Transition from Homelessness (PATH)	93.150	4/2/16 - 9/30/16	PATH Contract No. 2016-2, Amend 1	<u>20,028</u>	<u>20,028</u>
Total Projects for Assistance in Transition from Homelessness				33,528	33,528

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**CATHOLIC CHARITIES OF THE DIOCESE OF YAKIMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – YAKIMA (CONTINUED)
YEAR ENDED JUNE 30, 2016**

Program Title	Federal CFDA Number	Contract Period	Contract Number	Contract Amount	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)					
<i>Passed Through Department of Early Learning</i>					
Child Care and Development Block Grant - Early Achievers	93.575	7/1/14 - 12/31/15	0-110-201115-6100 #2	\$ 1,036,476	\$ 55,038
Child Care and Development Block Grant - Early Achievers	93.575	7/1/15 - 6/30/16	0-110-201115-6100 #3	468,761	179,096
Child Care and Development Block Grant - Infant Toddler	93.575	7/1/15 - 6/30/16	DEL 16-1139 Amend #2	201,270	133,028
Child Care and Development Block Grant - Infant Toddler	93.575	7/1/15 - 6/30/16	DEL 16-1140 Amend #2	203,846	169,869
Total Passed Through Department of Early Learning				<u>1,910,353</u>	<u>537,031</u>
<i>Passed Through Washington Early Learning Fund dba: Thrive by Five</i>					
ACA Maternal, Infant, and Early Childhood Home Visiting Program	93.505	10/1/14 - 9/30/15	MIECHV COHORT 6 #1 (ID 289)	380,278	87,877
ACA Maternal, Infant, and Early Childhood Home Visiting Program	93.505	10/1/15 - 9/30/16	MIECHV COHORT 6 (ID 379)	378,586	301,832
ACA Maternal, Infant, and Early Childhood Home Visiting Program	93.505	10/1/14 - 9/30/15	MIECHV COHORT 3 (ID 292)	111,485	25,854
ACA Maternal, Infant, and Early Childhood Home Visiting Program	93.505	10/1/15 - 9/30/16	MIECHV COHORT 3 (ID 380)	109,343	74,564
Total Passed Through Washington Early Learning Fund dba: Thrive by Five				<u>979,692</u>	<u>490,127</u>
Total U.S. Department of Health and Human Services				<u>3,956,338</u>	<u>1,657,673</u>
Total Expenditures of Federal Awards for CFCS Yakima				<u>\$ 5,134,474</u>	<u>\$ 5,514,255</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**CATHOLIC CHARITIES OF THE DIOCESE OF YAKIMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS –TRI-CITIES
YEAR ENDED JUNE 30, 2016**

Program Title	Federal CFDA Number	Contract Period	Contract Number	Contract Amount	Federal Expenditures
DEPARTMENT OF VETERANS AFFAIRS					
Supportive Services for Veterans Families	64.033	10/1/14 - 9/30/15	13-WA-149	\$ 177,305	\$ 52,911
Total U.S. Department of Veteran Affairs				<u>177,305</u>	<u>52,911</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE					
Direct Federal Support:					
Retired Seniors Volunteer Program	94.002	7/1/15 - 7/1/16	14SRPWA002-4	45,793	45,951
Senior Companion Program	94.016	7/1/15 - 6/30/16	15SCPWA001	313,774	318,436
Senior Companion Program	94.016	7/1/16 - 6/30/17	15SCPWA001-2	313,774	-
Total Corporation for National and Community Service				<u>673,341</u>	<u>364,387</u>
Total Expenditures of Federal Awards for CFCS Tri-Cities				<u>\$ 850,646</u>	<u>\$ 417,298</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**CATHOLIC CHARITIES OF THE DIOCESE OF YAKIMA
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the (identify basis of accounting) 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. Catholic Charities of the Diocese of Yakima has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 2 BASIS OF PRESENTATION

The schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Catholic Charities of the Diocese of Yakima under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of 2 CFR 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 Yakima, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Catholic Charities of the Diocese of Yakima.

NOTE 3 FEDERAL EXPENDITURES

This column reports grant expenditures incurred.

NOTE 4 SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS TOTALS – EXPENDITURES

The schedules are presented by agency. The below table shows the overall combined totals that are not shown in the individual schedules:

U.S. Department of Education	\$ 150,857
U.S. Department Agriculture	3,705,725
U.S. Department of Health and Human Services	1,657,673
Corporation for National and Community Service	364,387
Department of Veterans Affairs	52,911
Total	<u><u>\$ 5,931,553</u></u>

**CATHOLIC CHARITIES OF THE DIOCESE OF YAKIMA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2016**

There were no findings for the year ended June 30, 2015.