



**CATHOLIC CHARITIES OF SANTA CLARA COUNTY**

**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
**YEARS ENDED JUNE 30, 2017 AND 2016**

**AND REPORTS AND SCHEDULES**  
**REQUIRED BY THE UNIFORM GUIDANCE**  
**YEAR ENDED JUNE 30, 2017**

# CATHOLIC CHARITIES OF SANTA CLARA COUNTY

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June 30, 2017 and 2016

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Catholic Charities of Santa Clara County  
San Jose, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Catholic Charities of Santa Clara County, which comprise the statements of financial position as of June 30, 2017 and 2016, 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 U.S. generally accepted accounting principles; 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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these 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 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.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Catholic Charities of Santa Clara County as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

## **Other Matters**

### *Supplementary and Other information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying City of San Jose Contracts and Billings schedule, as required by the City of San Jose, and 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*, are presented for purposes of additional analysis and are not required parts of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2017, on our consideration of Catholic Charities of Santa Clara County'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 results of that testing, and not to provide an opinion on the effectiveness of Catholic Charities of Santa Clara County's 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 Santa Clara County's internal control over financial reporting and compliance.



November 10, 2017

# CATHOLIC CHARITIES OF SANTA CLARA COUNTY

## STATEMENTS OF FINANCIAL POSITION

Assets	June 30, 2017				June 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	Cash and cash equivalents	\$ 1,465,590	\$ -	\$ -	\$ 1,465,590	\$ 862,299	\$ -	\$ -
Cash held for Disaster Recovery Services	-	2,696,047	-	2,696,047	-	-	-	-
Investments	5,493,741	2,899,956	-	8,393,697	5,095,893	2,185,891	-	7,281,784
Accounts receivable	4,942,865	-	-	4,942,865	5,220,005	-	-	5,220,005
Contributed support receivables, net	142,734	353,308	-	496,042	36,359	423,523	-	459,882
Beneficial interest in charitable lead trust	-	234,989	-	234,989	-	558,979	-	558,979
Due (to) from other funds	(1,807,778)	1,819,191	(11,413)	-	(1,738,452)	1,749,865	(11,413)	-
Prepaid expenses and deposits	72,316	-	-	72,316	51,946	-	-	51,946
Other asset	-	-	146,355	146,355	-	-	138,181	138,181
Property and equipment, net	3,157,815	902,779	-	4,060,594	3,413,546	981,666	-	4,395,212
Investments - long term	-	-	6,950,790	6,950,790	-	-	6,870,896	6,870,896
Total assets	<u>\$ 13,467,283</u>	<u>\$ 8,906,270</u>	<u>\$ 7,085,732</u>	<u>\$ 29,459,285</u>	<u>\$ 12,941,596</u>	<u>\$ 5,899,924</u>	<u>\$ 6,997,664</u>	<u>\$ 25,839,184</u>
<b>Liabilities and Net Assets</b>								
Line of credit	\$ 2,900,000	\$ -	\$ -	\$ 2,900,000	\$ 2,200,000	\$ -	\$ -	\$ 2,200,000
Accounts payable	1,897,102	-	-	1,897,102	1,481,746	-	-	1,481,746
Accrued liabilities	1,172,582	-	-	1,172,582	1,425,289	-	-	1,425,289
Capital lease obligation	1,822	-	-	1,822	7,287	-	-	7,287
Deferred revenue	121,196	-	-	121,196	18,117	-	-	18,117
Annuity and life income obligations	23,954	-	-	23,954	26,867	-	-	26,867
Total liabilities	<u>6,116,656</u>	<u>-</u>	<u>-</u>	<u>6,116,656</u>	<u>5,159,306</u>	<u>-</u>	<u>-</u>	<u>5,159,306</u>
Net assets:								
Unrestricted:								
Undesignated	110,958	-	-	110,958	(62,148)	-	-	(62,148)
Board designated reserves	4,081,854	-	-	4,081,854	4,430,892	-	-	4,430,892
Net investment in property and equipment	3,157,815	-	-	3,157,815	3,413,546	-	-	3,413,546
Temporarily restricted	-	8,906,270	-	8,906,270	-	5,899,924	-	5,899,924
Permanently restricted	-	-	7,085,732	7,085,732	-	-	6,997,664	6,997,664
Total net assets	<u>7,350,627</u>	<u>8,906,270</u>	<u>7,085,732</u>	<u>23,342,629</u>	<u>7,782,290</u>	<u>5,899,924</u>	<u>6,997,664</u>	<u>20,679,878</u>
Total liabilities and net assets	<u>\$ 13,467,283</u>	<u>\$ 8,906,270</u>	<u>\$ 7,085,732</u>	<u>\$ 29,459,285</u>	<u>\$ 12,941,596</u>	<u>\$ 5,899,924</u>	<u>\$ 6,997,664</u>	<u>\$ 25,839,184</u>

See accompanying independent auditor's report and notes to financial statements.

# CATHOLIC CHARITIES OF SANTA CLARA COUNTY

## STATEMENTS OF ACTIVITIES

	Year Ended June 30, 2017				Year Ended June 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenue:								
Public support:								
Contributions - individuals and businesses	\$ 2,828,795	\$ 1,506,415	\$ 58,757	\$ 4,393,967	\$ 2,450,346	\$ 703,548	\$ 2,501	\$ 3,156,395
Contributions - foundations and trusts	331,187	5,187,446	21,137	5,539,770	133,891	879,250	17,813	1,030,954
Contributions - in-kind	1,882,253	-	-	1,882,253	2,188,617	-	-	2,188,617
Contributions and net revenue from special events	11,249	254,211	-	265,460	216,287	566,453	-	782,740
Change in value from charitable lead trust	-	10,183	-	10,183	-	51,776	-	51,776
Fees and grants from government agencies	21,781,425	-	-	21,781,425	20,729,674	-	-	20,729,674
Allocations from United Way	41,125	-	-	41,125	51,654	25,000	-	76,654
Total public support	<u>26,876,034</u>	<u>6,958,255</u>	<u>79,894</u>	<u>33,914,183</u>	<u>25,770,469</u>	<u>2,226,027</u>	<u>20,314</u>	<u>28,016,810</u>
Revenue:								
Membership dues	15,793	-	-	15,793	23,036	-	-	23,036
Program service fees	2,470,691	-	-	2,470,691	2,386,410	-	-	2,386,410
Investment income, net	611,814	1,044,405	-	1,656,219	24,662	6,127	-	30,789
Rental income	140,004	-	-	140,004	145,023	-	-	145,023
Gain on asset disposition	-	-	-	-	2,000	-	-	2,000
Miscellaneous	5,330	-	8,174	13,504	4,351	-	7,727	12,078
Total revenue	<u>3,243,632</u>	<u>1,044,405</u>	<u>8,174</u>	<u>4,296,211</u>	<u>2,585,482</u>	<u>6,127</u>	<u>7,727</u>	<u>2,599,336</u>
Net assets released from restrictions	<u>4,996,314</u>	<u>(4,996,314)</u>	<u>-</u>	<u>-</u>	<u>2,998,028</u>	<u>(2,998,028)</u>	<u>-</u>	<u>-</u>
Total public support and revenue	<u>35,115,980</u>	<u>3,006,346</u>	<u>88,068</u>	<u>38,210,394</u>	<u>31,353,979</u>	<u>(765,874)</u>	<u>28,041</u>	<u>30,616,146</u>
Functional expenses:								
Program services:								
Older Adult Services	4,015,981	-	-	4,015,981	3,677,258	-	-	3,677,258
Behavioral Health Services	6,495,885	-	-	6,495,885	7,887,184	-	-	7,887,184
Primary Care Clinic	352,147	-	-	352,147	-	-	-	-
Economic Development Services	3,757,281	-	-	3,757,281	8,002,967	-	-	8,002,967
Unaccompanied Refugee Minors (URM) Division	5,298,557	-	-	5,298,557	-	-	-	-
Children, Youth, and Family Development	6,292,064	-	-	6,292,064	6,900,971	-	-	6,900,971
Parish and Partnerships	234,031	-	-	234,031	205,990	-	-	205,990
Disaster Recovery Services	1,766,055	-	-	1,766,055	-	-	-	-
Step Up Silicon Valley	261,251	-	-	261,251	310,136	-	-	310,136
Housing Services	-	-	-	-	204,988	-	-	204,988
Total program services	<u>28,473,252</u>	<u>-</u>	<u>-</u>	<u>28,473,252</u>	<u>27,189,494</u>	<u>-</u>	<u>-</u>	<u>27,189,494</u>
Supporting services:								
Management and general	5,386,113	-	-	5,386,113	4,848,326	-	-	4,848,326
Fundraising	1,688,278	-	-	1,688,278	1,644,816	-	-	1,644,816
Total supporting services	<u>7,074,391</u>	<u>-</u>	<u>-</u>	<u>7,074,391</u>	<u>6,493,142</u>	<u>-</u>	<u>-</u>	<u>6,493,142</u>
Total functional expenses	<u>35,547,643</u>	<u>-</u>	<u>-</u>	<u>35,547,643</u>	<u>33,682,636</u>	<u>-</u>	<u>-</u>	<u>33,682,636</u>
Change in net assets	(431,663)	3,006,346	88,068	2,662,751	(2,328,657)	(765,874)	28,041	(3,066,490)
Net assets, beginning of year	<u>7,782,290</u>	<u>5,899,924</u>	<u>6,997,664</u>	<u>20,679,878</u>	<u>10,110,947</u>	<u>6,665,798</u>	<u>6,969,623</u>	<u>23,746,368</u>
Net assets, end of year	<u>\$ 7,350,627</u>	<u>\$ 8,906,270</u>	<u>\$ 7,085,732</u>	<u>\$ 23,342,629</u>	<u>\$ 7,782,290</u>	<u>\$ 5,899,924</u>	<u>\$ 6,997,664</u>	<u>\$ 20,679,878</u>

See accompanying independent auditor's report and notes to financial statements.

# CATHOLIC CHARITIES OF SANTA CLARA COUNTY

## STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended June 30, 2017

	Program Services										Supporting Services			
	Older Adult Services	Behavioral Health Services	Primary Care Clinic	Economic Development Services	Unaccompanied Refugee Minors (URM) Division	Children, Youth, and Family Development	Parish Partnerships	Disaster Recovery Services	Step Up Silicon Valley	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries	\$ 1,810,775	\$ 4,051,932	\$ 219,972	\$ 2,018,935	\$ 1,918,999	\$ 3,761,342	\$ 162,331	\$ 166,187	\$ 169,128	\$ 14,279,601	\$ 2,944,437	\$ 942,791	\$ 3,887,228	\$ 18,166,829
Employment benefits	338,588	759,653	44,183	373,589	433,695	598,500	24,220	12,733	40,617	2,625,778	367,963	195,962	563,925	3,189,703
Payroll taxes	158,961	347,495	19,766	169,285	161,826	332,901	15,097	13,428	13,637	1,232,396	221,912	73,190	295,102	1,527,498
<b>Total salary and related expenses</b>	<b>2,308,324</b>	<b>5,159,080</b>	<b>283,921</b>	<b>2,561,809</b>	<b>2,514,520</b>	<b>4,692,743</b>	<b>201,648</b>	<b>192,348</b>	<b>223,382</b>	<b>18,137,775</b>	<b>3,534,312</b>	<b>1,211,943</b>	<b>4,746,255</b>	<b>22,884,030</b>
Professional fees and contracts	242,950	382,565	17,959	395,595	287,885	111,244	3,008	44,377	23,280	1,508,863	1,023,931	160,671	1,184,602	2,693,465
Supplies	222,841	71,382	4,162	78,529	39,202	403,649	8,430	3,902	2,688	834,785	88,301	43,899	132,200	966,985
Distribution of in-kind food and property	688,401	-	-	293,209	-	766,679	-	-	-	1,748,289	-	13,039	13,039	1,761,328
Telephone	30,372	61,628	4,042	32,402	21,492	44,123	2,027	1,370	1,387	198,843	29,226	6,160	35,386	234,229
Postage and shipping	375	375	52	11,169	2,096	584	251	81	-	14,983	6,852	24,510	31,362	46,345
Occupancy	127,828	112,136	3,351	64,040	37,983	3,104	3,282	-	2,452	354,176	64,668	20,227	84,895	439,071
Travel and automobile	47,120	66,674	6,376	21,363	70,375	53,230	4,113	1,063	1,063	271,377	6,997	3,854	10,851	282,228
Conferences and meetings	2,202	8,543	203	27,125	16,981	59,017	3,656	1,571	2,827	122,125	74,276	9,629	83,905	206,030
Printing and artwork	1,545	1,657	678	9,968	631	12,925	214	16	503	28,137	-	108,566	108,566	136,703
Equipment	120,305	45,043	1,098	60,521	25,358	62,739	478	13,236	665	329,443	57,430	19,665	77,095	406,538
Subscriptions and publications	2,766	28,907	-	5,950	1,402	2,568	5	-	5	41,603	57,723	25,231	82,954	124,557
Financial assistance	-	360,302	-	91,565	2,226,947	127	-	1,507,033	-	4,185,974	39,557	-	39,557	4,225,531
Insurance	58,647	111,969	17,712	50,335	25,062	48,905	3,802	267	1,494	318,193	42,587	12,321	54,908	373,101
Interest	-	-	-	-	-	-	-	-	-	-	137,744	-	137,744	137,744
Advertising	18,835	1,950	-	16,059	7,973	3,675	-	750	-	49,242	6,628	12,600	19,228	68,470
Miscellaneous	4,373	4,951	-	5,275	489	18,319	57	41	7	33,512	121,267	2,743	124,010	157,522
Depreciation	139,097	78,723	12,593	32,367	20,161	8,433	3,060	-	1,498	295,932	94,614	13,220	107,834	403,766
<b>Total expenses</b>	<b>\$ 4,015,981</b>	<b>\$ 6,495,885</b>	<b>\$ 352,147</b>	<b>\$ 3,757,281</b>	<b>\$ 5,298,557</b>	<b>\$ 6,292,064</b>	<b>\$ 234,031</b>	<b>\$ 1,766,055</b>	<b>\$ 261,251</b>	<b>\$ 28,473,252</b>	<b>\$ 5,386,113</b>	<b>\$ 1,688,278</b>	<b>\$ 7,074,391</b>	<b>\$ 35,547,643</b>
Percentage of total expenses										80%	15%	5%	20%	

See accompanying independent auditor's report and notes to financial statements.

# CATHOLIC CHARITIES OF SANTA CLARA COUNTY

## STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended June 30, 2016

	Program Services							Supporting Services				Total
	Older Adult Services	Behavioral Health Services	Housing Services	Economic Development Services	Children, Youth, and Family Development	Parish Partnerships	Step Up Silicon Valley	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 1,594,550	\$ 5,154,620	\$ 40,694	\$ 3,574,444	\$ 4,156,872	\$ 143,493	\$ 170,378	\$ 14,835,051	\$ 2,630,374	\$ 859,843	\$ 3,490,217	\$ 18,325,268
Employment benefits	256,566	886,402	11,083	703,979	620,457	26,375	41,984	2,546,846	363,556	177,517	541,073	3,087,919
Payroll taxes	142,509	446,628	3,255	311,835	374,487	12,666	14,305	1,305,685	176,948	73,195	250,143	1,555,828
<b>Total salary and related expenses</b>	<b>1,993,625</b>	<b>6,487,650</b>	<b>55,032</b>	<b>4,590,258</b>	<b>5,151,816</b>	<b>182,534</b>	<b>226,667</b>	<b>18,687,582</b>	<b>3,170,878</b>	<b>1,110,555</b>	<b>4,281,433</b>	<b>22,969,015</b>
Professional fees and contracts	172,100	468,266	35,821	668,426	124,144	2,338	74,229	1,545,324	891,902	185,240	1,077,142	2,622,466
Supplies	229,130	110,671	5,910	71,334	320,699	7,169	2,771	747,684	110,376	47,264	157,640	905,324
Distribution of in-kind food and property	837,785	-	-	282,295	940,020	-	-	2,060,100	-	15,325	15,325	2,075,425
Telephone	21,136	66,220	793	42,864	47,429	1,733	1,296	181,471	27,073	5,779	32,852	214,323
Postage and shipping	262	586	121	12,513	298	298	3	14,081	5,614	29,692	35,306	49,387
Occupancy	104,329	83,699	-	17,236	5,910	-	-	211,174	231,508	-	231,508	442,682
Travel and automobile	44,608	82,063	102	83,822	62,404	3,981	1,423	278,403	11,735	3,263	14,998	293,401
Conferences and meetings	2,366	7,495	-	34,449	24,963	1,617	234	71,124	65,162	8,825	73,987	145,111
Printing and artwork	4,837	3,571	-	2,215	5,929	428	334	17,314	1,347	126,463	127,810	145,124
Equipment	57,253	56,587	1,262	60,076	117,096	907	659	293,840	104,071	16,534	120,605	414,445
Subscriptions and publications	649	15,326	-	6,281	1,391	375	140	24,162	52,892	16,989	69,881	94,043
Financial assistance	-	231,730	86,715	1,982,258	655	-	-	2,301,358	9,555	-	9,555	2,310,913
Insurance	55,325	141,463	4,493	57,618	69,235	2,790	994	331,918	28,464	9,220	37,684	369,602
Interest	-	-	-	-	-	-	-	-	48,351	-	48,351	48,351
Advertising	12,359	4,135	-	33,472	2,854	118	-	52,938	2,358	39,066	41,424	94,362
Miscellaneous	240	8,838	3,008	2,722	9,673	73	-	24,554	39,935	16,508	56,443	80,997
Depreciation	141,254	118,884	11,731	55,128	16,455	1,629	1,386	346,467	47,105	14,093	61,198	407,665
<b>Total expenses</b>	<b>\$ 3,677,258</b>	<b>\$ 7,887,184</b>	<b>\$ 204,988</b>	<b>\$ 8,002,967</b>	<b>\$ 6,900,971</b>	<b>\$ 205,990</b>	<b>\$ 310,136</b>	<b>\$ 27,189,494</b>	<b>\$ 4,848,326</b>	<b>\$ 1,644,816</b>	<b>\$ 6,493,142</b>	<b>\$ 33,682,636</b>
Percentage of total expenses								81%	14%	5%	19%	

See accompanying independent auditor's report and notes to financial statements.



# CATHOLIC CHARITIES OF SANTA CLARA COUNTY

## STATEMENTS OF CASH FLOWS

Increase (Decrease) in Cash and Cash Equivalents

	Year Ended June 30,	
	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 2,662,751	\$ (3,066,490)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	403,766	407,665
Change in discount of contributed support receivables and charitable lead trust	(38,473)	(78,149)
Non-cash contributions of marketable securities	(242,803)	(733,115)
Proceeds from sale of contributed marketable securities	242,803	733,115
Realized/unrealized (gains) losses on investments	(1,451,887)	184,127
Realized gain on disposal of property and equipment	-	(2,000)
Contributions restricted for endowment	(88,068)	(28,041)
Changes in operating assets and liabilities:		
Accounts and contributed support receivables, net	279,453	(76,648)
Prepaid expenses, deposits, and other asset	295,446	91,563
Accounts payable and accrued liabilities	162,649	669,787
Deferred revenue, annuity, and life income obligations	100,166	(22,452)
Net cash provided by (used in) operating activities	2,325,803	(1,920,638)
Cash flows from investing activities:		
Purchases of investments	(200,866)	(313,206)
Proceeds from sale of investments	460,946	58,317
Purchases of property and equipment	(69,148)	(12,133)
Proceeds from sale of property and equipment	-	2,000
Net cash provided by (used in) investing activities	190,932	(265,022)
Cash flows from financing activities:		
Borrowings on line of credit, net of repayments	700,000	2,200,000
Contributions restricted for endowment	88,068	28,041
Principal payments on capital lease obligation	(5,465)	(5,436)
Net cash provided by financing activities	782,603	2,222,605
Net increase in cash and cash equivalents	3,299,338	36,945
Cash and cash equivalents at beginning of year	862,299	825,354
Cash and cash equivalents at end of year	\$ 4,161,637	\$ 862,299
Reconciliation of cash and cash equivalents at end of year:		
Cash and cash equivalents	\$ 1,465,590	\$ 862,299
Cash held for Disaster Recovery Services	2,696,047	-
Cash and cash equivalents at end of year	\$ 4,161,637	\$ 862,299
Supplemental disclosure of cash flows information:		
Interest paid	\$ 137,744	\$ 48,351

See accompanying independent auditor's report and notes to financial statements.

# CATHOLIC CHARITIES OF SANTA CLARA COUNTY

## Notes to Financial Statements

June 30, 2017 and 2016

### Note 1 - Nature of operations

Catholic Charities of Santa Clara County (the "Organization"), a California nonprofit public benefit corporation, serves and advocates for families and individuals in need, especially those living in poverty. Rooted in gospel values, the Organization works to create a more just and compassionate community in which people of all cultures and beliefs can participate.

The Organization provides multiple education, community and economic development, mental health, and social services to diverse residents of Santa Clara County (the "County"), including children, youth, adults, seniors, families in need, refugees and immigrants, and other poor and vulnerable populations.

The Organization's primary sources of revenue and support are from contributions, government fees and grants, and program service fees. Major service areas for the fiscal year ended June 30, 2017 include: Older Adult Services, Behavioral Health Services, Economic Development Services, Refugee Foster Care Housing Services, Children, Youth, and Family Development, Parish Partnerships, Step Up Silicon Valley and Disaster Recovery Services.

### Older Adult Services

*Older Adult Services* assists seniors to maintain health and wellness through multiple programs.

*Day Break Respite and Caregiver Support Services Program* serves caregivers and their dependent elders. Services include a licensed adult day support program (recreation, health promotion and social activities), in-home respite care, caregiver support groups, caregiver education and escorted transportation.

*Day Break Home Care* is a social enterprise that trains and hires former clients as trusted caregivers to care for homebound elders and people with disabilities.

*Long-Term Care Ombudsman Program* advocates for frail, chronically ill residents in all nursing homes and residential care/assisted living facilities in Santa Clara County. This program responds to, investigates, and seeks fair resolution of complaints, including allegations of elder abuse and violations of residents' rights.

*Senior Nutrition Program* offers socialization and hot nutritious meals for seniors (age 60 and over) five days a week at Catholic Charities Eastside Neighborhood Center and John XXIII Multi-Service Center in San Jose.

*Senior Programs at Neighborhood Centers* offers educational classes, recreation and wellness activities for older adults in a culturally responsive environment. Services include English as a second language classes, citizenship information and referral, health screening and monitoring, wellness education, computer training, daily noon meals, weekly grocery bags, exercises such as tai chi, dances, health education, and cultural celebrations at John XXIII and Eastside Neighborhood Center.

### Behavioral Health Services

*Behavioral Health Services* works to improve the wellbeing of our participants through mental health, primary care and case management services.

*Adult Mental Health - Full Service Partnership-Criminal Justice* and integration of mentally ill parolee's services - combines outpatient mental health, case management, medication support, crisis intervention and recovery from both mental and chemical dependency disorders for individuals and for other persons on probation or parole, who have been ordered by the court for treatment.

# CATHOLIC CHARITIES OF SANTA CLARA COUNTY

## Notes to Financial Statements

June 30, 2017 and 2016

### Note 1 - Nature of operations (continued)

#### Behavioral Health Services (continued)

*CalWORKs Health Alliance* - is a multicultural outpatient mental health and substance abuse program for CalWORKs participants that helps improve personal and family issues that may keep them from finding economic and emotional self-sufficiency.

*Children and Family Services* - offers outpatient services for children who are seriously emotionally disturbed and their families. Services include psychiatric evaluations, medical monitoring, therapy, and case management and family support, including supervised and home visits. Children ages 0-5 (First 5) are included in these services.

*Older Adult Services - a Full Service Partnership-Older Adults* and comprehensive mental health services for older adults (Golden Gateway) provides case management and mental health services, including medication support, to older adults who are experiencing chronic emotional problems. Golden Gateway also develops support groups and educates family members and community service providers about helping older adults with mental health conditions.

*Inmate and Re-entry Supportive Services - Inmate Supportive Services (ISS)* at the county's two adult correctional facilities respond to inmate requests for books, eye glasses, notary services, probation-required legal documents, requests for family contacts, family requests for information or items for the inmates, information from community/other legal services and resource information. Post-release services through a faith-based collaborative, Bridges of Hope, assists ex-offenders with re-integrating into society with jobs, housing, and counseling.

*John XXIII Integrated Behavioral Health/Primary Care Clinic* - provides a medical home by integrating primary health care, exams, screenings, health education, enrollments and referrals with mental health and social services for a diverse population of vulnerable clients. The Organization discontinued its primary care operations at the clinic effective September 30, 2016 and is reorganized as John XXIII Wellness Center.

#### Housing Services

*Housing Services* helps participants obtain and maintain safe, decent, affordable housing.

#### Economic Development Services

*Economic Development Services* enables participants to move out of poverty and toward self-reliance.

*Employment Services* provides comprehensive pre-employment (including English as a second language, computer classes and retail vocational training); employment, job retention, and job upgrade services to immigrants, refugees, and low income individuals.

*Focus for Work* provides individual and group employment preparation services, job development services, and post-employment support for adults diagnosed with mental illness.

*Right Directions* provides individual and group employment preparation services, job development services, and post-employment support for adults re-entering from jail or prison.

# CATHOLIC CHARITIES OF SANTA CLARA COUNTY

## Notes to Financial Statements

June 30, 2017 and 2016

### Note 1 - Nature of operations (continued)

#### Economic Development Services (continued)

*Financial Education Services* enables clients to acquire basic financial literacy and move toward establishing economic stability through effective money management and budgeting. It includes free financial education programs for low-income individuals and families.

*Responsible Landlord Engagement Initiative (RLEI)* – improves blighted neighborhoods by engaging landlords, tenants and neighbors in mediation and advocacy to improve properties and address issues of blight and neglect.

*Supportive Housing Services at Charities Housing Development Corporation (CHDC)* – provides service coordination, supportive services and referrals for residents of CHDC units.

*Immigration Legal Services* are fully accredited by the federal Board of Immigration Appeals to provide professional legal consultations and a full range of immigration legal services for low-income people throughout Santa Clara County. Services include family visas, fiancé/e-visa, adjustment of status, employment authorization, re-entry permit and advance parole, political asylum, special immigrant juvenile, religious visa, family unity, Temporary Protected Status (TPS), Violence Against Women's Act (VAWA), Nicaraguan Adjustment and Central American Relief Act (NACARA), inadmissibility waivers, removal defense, representation, Freedom of Information Act requests, citizenship information and applications, photos and fingerprinting, DACA services and education, and legal services to Unaccompanied Immigrant Children.

*South County Citizenship Services* offers sliding scale citizenship services in Gilroy, Morgan Hill and San Martin, California. Citizenship services include application assistance, interview preparation, legal assistance or referral to legal assistance. Free South County Citizenship Days are held twice a year.

*Refugee Resettlement* offers sponsorship from refugee camps worldwide, family reunification, case management, cultural orientation, employment preparation, job placement, English as a Second Language (ESL), and computer training.

#### Refugee Foster Care

*Refugee Foster Care* trains and supports persons who want to become foster parents. The program matches unaccompanied refugee minors from overseas with foster families in Santa Clara County and the East Bay.

# CATHOLIC CHARITIES OF SANTA CLARA COUNTY

## Notes to Financial Statements

June 30, 2017 and 2016

### Note 1 - Nature of operations (continued)

#### Children, Youth and Family Development

*Children, Youth and Family Development* empowers participants to improve their education, health, and family relationships to strengthen their resiliency and prevent poverty.

*CORAL (Communities Organizing Resources to Advance Learning)* is an after-school program at over twenty San Jose public schools. CORAL focuses on improving student achievement through balanced literacy and enrichment activities, including STEM.

*Family Resource Centers (FRC)* – The Organization runs several FRCs for First 5 Santa Clara County to support families and the healthy development of their children ages 0-5 years. The program includes parenting workshops plus community engagement and education activities.

*Intervention Services* provides gang intervention services to at-risk youth. This program works with community partners to conduct ongoing prevention/intervention and truancy outreach to identify youth who exhibit high-risk behaviors including gang involvement, conflict/violence, school absence and drop out, substance abuse, and other negative behaviors.

*Kinship Resource Center* provides comprehensive services and support to grandparents and other relatives who are raising the family's children. Services include case management, health assessments, support groups, respite care, recreation, information and referral, education seminars and assistance with legal guardianship packets, as well as an Independent Living Program for youth moving out of kinship care.

*New Beginnings* provides opportunities for parents of children ages 0-3 to enjoy interactive early learning activities with their newborns/infants.

*Probation Support Services* provides intensive case management to youth on probation to prevent re-engagement with the criminal justice system.

*Washington United Youth Center (WUYC)* and *Spartan-Keyes Youth Center* offer structured after school programming and a caring environment to youth and their families through recreation, group educational activities and cultural enrichment programs. Also available are information and referral services for families in crisis and living in poverty.

*The Franklin-McKinley Children's Initiative* is a place-based anti-poverty strategy focused on helping every child in the Santee neighborhood succeed from cradle to career through creating a strong and safe neighborhood, strengthening educational opportunities, and strengthening families through a community-based coalition.

#### Parish Partnerships

*Parish Partnerships* convenes and trains parish leaders and volunteers to strengthen the network of parish-based services with the Organization's resources and other parishes in order to alleviate, prevent, and reduce poverty.

*Handicapped* - provides peer support, spirituality and enrichment for adult disabled individuals.

*Volunteer Services* - recruits, on boards and connects volunteers with the Organization's multiple volunteer opportunities.

# CATHOLIC CHARITIES OF SANTA CLARA COUNTY

## Notes to Financial Statements

June 30, 2017 and 2016

### Note 1 - Nature of operations (continued)

#### Step Up Silicon Valley

*Step Up Silicon Valley* convenes a network of community-based organizations, interfaith allies, government representatives, and business leaders to cut poverty in Santa Clara County through creating awareness, advocating for policy changes, and incubating system changing alternatives.

#### Disaster Recovery Services

*Disaster Recovery Services* assists flood survivors displaced by the Coyote Creek Flood with emergency and transitional housing assistance, financial assistance, assistance with transportation and case management services to restore them to self-sufficiency.

### Note 2 - Management's operational and fundraising plan

For the year ended June 30, 2017, the Organization experienced a deficit in its unrestricted net assets of approximately \$432,000. This deficit is attributable to losses from operations approximating \$833,000, mitigated by favorable earned income and gains on investments, as well as an increase in overall unrestricted donor support during this year.

With the Organization continuing to receive substantial increases in programmatic grants and funding, as well as being the agency of choice to administer disaster relief in Santa Clara County, the requirement for adequate working capital and sufficient reserves which may be accessed for short-term needs, is ever increasingly important.

Management recognizes the requirement for increasing its working capital and maintaining, at a minimum, its current reserves. To meet these requirements, management is responding with the following actions and planning:

- Eliminate certain programs to reduce operating and overhead costs, as well as shifting allocation of resources to larger programs
- Reduce staffing costs where prudent
- Monitor spending of non-programmatic expenditures
- Shortening the time frame to collect accounts receivable
- Fundraising and development campaigns – continuing the increase in gifts of unrestricted contributions to aid in operations, as well as to increase Board Designated reserves

The Organization is dependent upon the success of these steps which can aid in providing adequate working capital while also increasing its reserves, so that it may continue its mission of administering its many vital programs to the community of Santa Clara County.

# CATHOLIC CHARITIES OF SANTA CLARA COUNTY

## Notes to Financial Statements

June 30, 2017 and 2016

### Note 3 - Summary of significant accounting policies

#### Basis of presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP).

#### Financial statement presentation

Under GAAP, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets - includes the Operating Fund (undesignated), Board Designated Reserves and the Net Investment in Property and Equipment. These funds record the net assets over which the Board of Directors has discretionary control and which are used to carry out operations of the Organization in accordance with its bylaws.

Temporarily restricted net assets - includes resources currently available for use, but expendable only for those operating purposes specified by the donor or funding source. Resources of this fund originate from gifts, grants, and bequests.

Permanently restricted net assets - includes the endowment funds, which consist of gifts and bequests accepted with the donor stipulation that the principal or fixed asset item be restricted in perpetuity. Income from these assets is recorded as temporarily restricted net assets unless otherwise restricted by donor stipulations or until appropriated for expenditure by the Organization.

#### Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Significant estimates used in preparing these financial statements include the allowance for doubtful accounts, present value discounts on contribution support receivables and charitable lead trust, the useful lives of property and equipment, the value of donated materials, property and equipment, and professional services, and the fair market value of assets and liabilities. Actual results could differ from those estimates.

#### Cash and cash equivalents

Cash and cash equivalents include highly liquid investments and investments with an original maturity of three months or less. The Organization maintains its cash in bank deposit accounts which, at times, may exceed amounts insured by the Federal Deposit Insurance Corporation. As of June 30, 2017 and 2016, the Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk related to the balances in the cash accounts.

# CATHOLIC CHARITIES OF SANTA CLARA COUNTY

## Notes to Financial Statements

June 30, 2017 and 2016

### Note 3 - Summary of significant accounting policies (continued)

#### Accounts receivable

Accounts receivable arise principally from charges to funding sources for current expenses. The Organization records an allowance for doubtful accounts based on specifically identified amounts that it believes are uncertain and records additional allowances based upon certain percentages of aged receivables, which are determined based on historical experience and consideration of the general financial conditions that may affect payment. As of June 30, 2017 and 2016, the Organization considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been recognized. If amounts become uncollectable, they will be written off when that determination is made.

#### Contributed support receivable and allowance for doubtful accounts

Contributions are recognized as receivables in the Statements of Financial Position when the donor makes a promise to give to the Organization that is, in substance, unconditional. The Organization only records pledge receivables when the total amount of the pledge is \$10,000 or more. Contributions less than \$10,000 are recognized as revenue when the contribution is received. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction is satisfied or expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization records an allowance for doubtful contributed support receivables based on specifically identified amounts that it believes are uncertain as to collectability. The Organization also records additional allowances based upon certain percentages of aged receivables, which are determined based on historical experience and the Organization's assessment of the general financial conditions that may affect payment. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. All collections of previously written off contributions are recognized in the Statements of Activities in the period of collection and shown as bad debt recoveries.

#### Property and equipment

Property and equipment purchases are recorded at cost whether acquired with donated or operating funds. It is the Organization's policy to capitalize acquisitions in excess of \$2,000. Donated property and equipment are recorded at their estimated fair value at the time of the donation. Depreciation of property and equipment is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives on the straight-line method. Leasehold improvements are amortized over the term of the respective leases (including anticipated renewal options, where appropriate) or the estimated service lives of the assets, whichever is shorter. Long-lived assets acquired with gifts of cash restricted for those acquisitions are reported as unrestricted based on the Organization's policy of lifting restrictions on contributions of cash used for the acquisition of long-lived assets.

The estimated useful lives of the related assets are as follows:

Computer, software and office equipment	3 years
Furniture and fixtures	5 - 10 years
Buildings and improvements	10 - 40 years
Leasehold improvements	Lesser of 7 years or the life of the lease



# CATHOLIC CHARITIES OF SANTA CLARA COUNTY

## Notes to Financial Statements

June 30, 2017 and 2016

### Note 3 - Summary of significant accounting policies (continued)

#### Impairment of long-lived assets

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying value may not be fully recoverable. The Organization evaluates the recoverability of long-lived assets by measuring the carrying amount of such assets against the estimated undiscounted future cash flows associated with them. At the time such evaluation indicates that the future undiscounted cash flows of certain long-lived assets are not sufficient to recover the carrying value of such assets, the assets are adjusted to their fair value. To date, the Organization has not recorded any impairment of its long-lived assets as a result of this analysis.

#### Grant and program fee revenue

Grant revenue is recognized when earned, generally in proportion to the expenses incurred. Program fees are recognized as revenue in the period in which the service is provided.

#### In-kind support and services

The Organization records various types of in-kind support including professional services, donated goods, and tangible assets. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated goods and contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind support are offset by like amounts included in expenses, or in the case of long-term benefits, over the period benefited.

#### Functional allocation of expenses

The costs of providing the various program services have been summarized on a functional basis in the accompanying Statements of Activities. Accordingly, expenses that are associated with more than one program or supporting service have been allocated, principally on an indirect cost basis, using personnel time studies, all among the various programs and supporting services.

#### Tax exempt status

The Organization has been granted tax-exempt status by the Internal Revenue Service (Section 501(c)(3)) and the California Franchise Tax Board (Section 23701d). The Organization is registered with the Registry of Charitable Trusts of the Office of the Attorney General of the State of California. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Organization is subject to a tax on income earned from any unrelated business activity. The Organization does not believe it has any unrelated business taxable income that should have been reported for tax purposes.

The Organization has adopted the accounting standard related to uncertainties in income taxes. The Organization evaluates uncertain tax positions through its review of the source of revenue to identify unrelated business income and certain other matters, including those which may affect its tax exempt status. Management believes their estimates related to income tax uncertainties are appropriate based on the current facts and circumstances.

# CATHOLIC CHARITIES OF SANTA CLARA COUNTY

## Notes to Financial Statements

June 30, 2017 and 2016

### Note 3 - Summary of significant accounting policies (continued)

#### Tax exempt status (continued)

The Organization's federal Return of Organization Exempt from Income Tax (Form 990) for years ended June 30, 2014 and after are subject to examination by the IRS, generally for three years after they are filed. The Organization's state returns (Form 199) for the years ended June 30, 2013 and after could be subject to examination by state taxing authorities, generally for four years after they are filed.

#### Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statements of Financial Position. Donated securities are recorded at market value on the date received or at nominal value when the market value is not readily available. Realized and unrealized gains and losses are reflected as increases or decreases in unrestricted net assets unless their use has been temporarily restricted by donors.

#### Fair value measurements

The Organization measures and discloses fair value measurements as required by the Fair Value Measurements and Disclosures Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification.

Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or a liability. As a basis for considering such assumptions, the FASB establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

- Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 - Include other observable inputs, not included in Level 1, that are directly or indirectly observable in the marketplace.
- Level 3 - Unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

#### Advertising

The Organization's policy is to expense advertising costs as they are incurred. Advertising expense for the years ended June 30, 2017 and 2016 totaled \$68,470 and \$94,362, respectively.

# CATHOLIC CHARITIES OF SANTA CLARA COUNTY

## Notes to Financial Statements

June 30, 2017 and 2016

### Note 3 - Summary of significant accounting policies (continued)

#### New accounting pronouncements not yet adopted

In May 2014, the FASB issued new accounting guidance for reporting revenue with customers. The five-step process in the new guidance may necessitate more judgment and estimation within the revenue recognition process than required under existing pronouncements, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. This new guidance is effective for annual reporting periods beginning after January 1, 2019, though early adoption is permitted for annual reporting periods beginning after January 1, 2017, and may be applied using either a full retrospective or a modified retrospective approach upon adoption. The Organization is currently evaluating the impact of adopting the new standard on its results of operations and financial position.

In February 2016, the FASB issued new accounting guidance for reporting leases, which requires an entity that is a lessee to classify leases as either finance or operating and to recognize a lease liability and a right-of-use asset for all leases that have a term of greater than 12 months. Leases of 12 months or less will be accounted for similar to existing guidance for operating leases. The new standard will be effective for annual reporting periods beginning after January 1, 2020, with early adoption permitted, and must be applied using a modified retrospective approach. The Organization is currently evaluating the impact of adopting this standard on its financial statements.

In August 2016, the FASB issued new accounting guidance for presentation of financial statements of not-for-profit entities. The update, which is the first phase of a two-phase project, makes significant changes in seven areas:

- *Net assets classes* - the three classes of net assets, (unrestricted, temporarily restricted and permanently restricted), will be replaced with two classes of net assets (net assets with donor restrictions and net assets without donor restrictions).
- *Liquidity and availability of resources* - organizations will be required to disclose both qualitative and quantitative information about how it manages its liquid resources.
- *Classification and disclosure of underwater endowment funds* - reporting of accumulated losses of a donor-restricted endowment fund that is considered to be underwater, will be included together with that fund in net asset with donor restrictions. The fund balance of a donor-restricted endowment fund will be reported entirely within net assets with donor restrictions, and the fund balance for a board-designated endowment fund will be reported entirely within net assets without donor restrictions.
- *Expense reporting* - all not-for-profit organizations will be required to present an analysis of expenses by functional and natural classifications as well as to provide a description of the methods used to allocate costs among program and support functions.
- *Statement of cash flows* - continue to permit an organization to choose whether to provide a statement of cash flows using the direct or indirect method. However, if direct method is used, the indirect reconciliation will no longer be required.
- *Investment returns* - requires that investment expenses related to total return investing be netted against investment returns on the statement of activities and eliminates the requirement to disclose investment expenses that have never been netted.
- *Release of restrictions on capital assets* - requires not-for-profit organizations to report expirations of restrictions on gifts of long-lived assets and cash or other assets to be used to acquire or construct long-lived assets.

# CATHOLIC CHARITIES OF SANTA CLARA COUNTY

## Notes to Financial Statements

June 30, 2017 and 2016

### **Note 3 - Summary of significant accounting policies (continued)**

#### **New accounting pronouncements not yet adopted (continued)**

The update is effective for annual financial statements issued for fiscal years beginning after January 1, 2018, with early adoption permitted. The update is to be applied on a retrospective basis. The Organization is currently evaluating the impact of adopting this standard on its financial statements.

#### **Subsequent events**

In preparing its financial statements, the Organization has evaluated subsequent events through November 10, 2017, which is the date the financial statements were available to be issued.

### **Note 4 - Fair value measurements**

Fair values for Level 1 investments are determined by reference to quoted market prices. Fair value of Level 2 investments are determined by reference to quoted market transactions in a less active market for assets similar to those held to support the underlying assets. Fair value for the beneficial interest in the charitable lead trust (Level 3) is determined by calculating the present value of the cash flow stream using a discount rate of 8%, which reflects the Organization's best estimate of the inherent risk related to the performance of the trust. There have been no changes in valuation techniques and related inputs.

# CATHOLIC CHARITIES OF SANTA CLARA COUNTY

## Notes to Financial Statements

June 30, 2017 and 2016

### Note 4 - Fair value measurements (continued)

Following are the major categories of assets measured at fair value on a recurring basis at June 30, 2017:

	Fair Value	Quoted Prices in Active Markets For Identifiable Assets (Level 1)	Significant Other Observable (Level 2)	Significant Unobservable (Level 3)
Investments:				
Equity securities	\$ 1,568	\$ 1,568	\$ -	\$ -
Mutual Funds:				
Religious Communities				
Trust:				
Catholic United				
Investment Trust				
(CUIT):				
Intermediate Diversified				
Bond Fund	3,053,513	-	3,053,513	-
International Equity Fund	2,286,463	-	2,286,463	-
CORE Equity Index Fund	5,511,702	-	5,511,702	-
Small Cap Equity Index				
Fund	1,371,877	-	1,371,877	-
Intermediate Bond Fund	3,051,976	-	3,051,976	-
American Funds:				
American Balanced Fund	67,388	-	67,388	-
Total investments	<u>15,344,487</u>	<u>1,568</u>	<u>15,342,919</u>	<u>-</u>
Beneficial interest in charitable				
lead trust	234,989	-	-	234,989
	<u>\$ 15,579,476</u>	<u>\$ 1,568</u>	<u>\$ 15,342,919</u>	<u>\$ 234,989</u>

# CATHOLIC CHARITIES OF SANTA CLARA COUNTY

## Notes to Financial Statements

June 30, 2017 and 2016

### Note 4 - Fair value measurements (continued)

Following are the major categories of assets measured at fair value on a recurring basis at June 30, 2016:

	Fair Value	Quoted Prices in Active Markets For Identifiable Assets (Level 1)	Significant Other Observable (Level 2)	Significant Unobservable (Level 3)
Investments:				
Equity securities	\$ 1,769	\$ 1,769	\$ -	\$ -
Mutual Funds:				
Religious Communities				
Trust:				
Catholic United				
Investment Trust				
(CUIT):				
Intermediate Diversified				
Bond Fund	4,222,970	-	4,222,970	-
International Equity Fund	2,108,049	-	2,108,049	-
CORE Equity Index Fund	5,081,940	-	5,081,940	-
Small Cap Equity Index				
Fund	1,264,830	-	1,264,830	-
Intermediate Bond Fund	1,407,533	-	1,407,533	-
American Funds:				
American Balanced Fund	65,589	-	65,589	-
<b>Total investments</b>	<b>14,152,680</b>	<b>1,769</b>	<b>14,150,911</b>	<b>-</b>
Beneficial interest in charitable				
lead trust	558,979	-	-	558,979
	<u>\$ 14,711,659</u>	<u>\$ 1,769</u>	<u>\$ 14,150,911</u>	<u>\$ 558,979</u>

There were no transfers of investments in or out of the Level 2 or Level 3 classifications during the years ended June 30, 2017 and 2016.

# CATHOLIC CHARITIES OF SANTA CLARA COUNTY

## Notes to Financial Statements

June 30, 2017 and 2016

### Note 4 - Fair value measurements (continued)

The following table summarizes the Organization's Level 3 reconciliation as of June 30, 2017 and 2016:

	June 30,	
	2017	2016
Balance at beginning of year	\$ 558,979	\$ 647,203
Distributions	(105,465)	(140,000)
Change in valuation of beneficial interest in charitable lead trust	10,183	51,776
Write-down of beneficial interest in charitable lead trust	(228,708)	-
Balance at end of year	\$ 234,989	\$ 558,979

The Organization is named as a beneficiary in a charitable lead trust where a third party serves as trustee. Under the terms of the trust, the Organization is to receive \$140,000 annually through 2021. Future payments from the trust are dependent on the performance of the underlying investments in the trust, which are exposed to various risks such as interest rate and market risks. It is at least reasonably possible that changes in the risk factors will occur in the near term that could materially affect the amounts to be received by the Organization over the duration of the trust.

During the year ended June 30, 2017, the Organization was informed by the trustee that the payments, beginning with the January 2018 payment, would be reduced to \$70,000 annually through 2021. As a result, the Organization wrote down the value of the trust receivable by \$228,708.

### Note 5 - Investments

Investments consisted of the following as of June 30, 2017 and 2016:

	June 30,	
	2017	2016
Equity securities	\$ 1,568	\$ 1,769
Mutual Funds:		
Religious Communities Trust:		
Catholic United Investment Trust (CUIT):		
Intermediate Diversified Bond Fund	3,053,513	4,222,970
International Equity Fund	2,286,463	2,108,049
CORE Equity Index Fund	5,511,702	5,081,940
Small Cap Equity Index Fund	1,371,877	1,264,830
Intermediate Bond Fund	3,051,976	1,407,533
American Funds:		
American Balanced Fund	67,388	65,589
	\$ 15,344,487	\$ 14,152,680

# CATHOLIC CHARITIES OF SANTA CLARA COUNTY

## Notes to Financial Statements

June 30, 2017 and 2016

### Note 5 - Investments (continued)

Investment income totaled \$1,656,219 and \$30,789 for the years ended June 30, 2017 and 2016, respectively, which included interest and dividends of \$204,332 and \$214,916, respectively, and net realized and unrealized gains of \$1,451,887 for the year ended June 30, 2017 and losses of \$184,127 for the year ended June 30, 2016.

### Risks and uncertainties

The Organization holds investments in various mutual funds outlined above. These securities are exposed to various risks such as interest rate and market risks. Due to the level of risk associated with these securities and the level of uncertainty related to changes in value, it is at least reasonably possible that changes in the risk factors will occur in the near term that could materially affect the value of the investments reported in the accompanying financial statements.

### Note 6 - Contributed support receivables and charitable trusts

Contributed support receivables and charitable lead trust consisted of the following as of June 30, 2017 and 2016:

	June 30,	
	2017	2016
Charitable lead trust	\$ 234,989	\$ 558,979
Promises to give (pledges)	499,922	464,757
Total contributed support	734,911	1,023,736
Less: allowance for doubtful accounts	(3,880)	(4,875)
Net contributed support receivables and charitable lead trust	<u>\$ 731,031</u>	<u>\$ 1,018,861</u>



# CATHOLIC CHARITIES OF SANTA CLARA COUNTY

## Notes to Financial Statements

June 30, 2017 and 2016

### Note 6 - Contributed support receivables and charitable trusts (continued)

Contributed support receivables and charitable lead trust proceeds which will be received more than one year from the date of the pledge are recorded after discounting the future cash flows to present value using a discount rate of 8%, established in the year of contribution. Maturities of these receivables are as follows:

<u>For the Years Ending June 30,</u>	<u>Amount</u>
2018	\$ 516,374
2019	147,500
2020	80,000
2021	<u>70,000</u>
	813,874
Less: discount for present value	<u>(78,963)</u>
Net contributed support receivables and charitable lead trust interest	<u>\$ 734,911</u>

The Organization is the beneficiary of a charitable remainder unitrust and is also the trustee of the trust. This trust provides for the payment of distributions to the donor over the donor's lifetime. At the end of the trust's term, the remaining assets are available for the Organization's use. Assets held in the trust are recorded at fair value and are included with investments on the Organization's Statements of Financial Position. The present value of estimated future payments to the income beneficiary, which is based on a discount rate of 3% and applicable mortality tables, is recognized as a liability. The liability at June 30, 2017 and 2016 was \$23,954 and \$26,867, respectively.

The Organization has also been named as a beneficiary in various revocable trusts. The assets of these trusts are not included in the Statements of Financial Position of the Organization since these trusts are revocable at the discretion of the grantor.

# CATHOLIC CHARITIES OF SANTA CLARA COUNTY

## Notes to Financial Statements

June 30, 2017 and 2016

### Note 7 - Property and equipment

Property and equipment consisted of the following at June 30, 2017 and 2016:

	June 30,	
	2017	2016
Equipment	\$ 633,964	\$ 620,559
Automobiles	177,517	177,517
Software	112,110	112,110
Computer equipment	277,643	277,643
Buildings and improvements:		
Zanker Road, San Jose (1)	5,558,032	5,502,289
Alum Rock Avenue, San Jose (1, 2)	1,723,351	1,723,351
Leasehold improvements	2,837,721	2,837,721
Land improvements	252,396	252,396
	11,572,734	11,503,586
Less: accumulated depreciation and amortization	(8,665,897)	(8,262,131)
	2,906,837	3,241,455
Land:		
Zanker Road, San Jose	888,225	888,225
Alum Rock Avenue, San Jose (2)	265,532	265,532
	1,153,757	1,153,757
	\$ 4,060,594	\$ 4,395,212

- (1) There was construction in progress totaling \$34,989 at June 30, 2017 and no construction in progress at June 30, 2016.
  
- (2) On November 21, 1983, a site (on Alum Rock Avenue in San Jose) was donated to the Organization, on which it constructed the Eastside Neighborhood Center. The land was conveyed upon the condition that the property is used solely for the operation of a senior citizen center for a forty-year period. If this condition is not met, title to the land, buildings and improvements on the premises will pass to the Department of Housing and Urban Development. In addition, the Organization must pay the City of San Jose \$368,000 if the property is sold or used for other activities. It is management's intention to use the property for its intended purpose for the entire forty-year period and therefore no accrual has been recorded on the accompanying Statements of Financial Position. The net book value of this property is recorded as a temporarily restricted net asset in the accompanying financial statements.

During the years ended June 30, 2017 and 2016, the Organization operated at four (4) sites that it did not lease or own. These spaces were provided by governmental agencies or other groups to enable the Organization to provide program services at the locations.

# CATHOLIC CHARITIES OF SANTA CLARA COUNTY

## Notes to Financial Statements

June 30, 2017 and 2016

### Note 8 - Line of credit

The Organization has available a line of credit which is secured by a first deed of trust security agreement on the real property located on Zanker Road. Annual interest is charged at the Bank's Prime Reference Rate (4.25% and 3.50% at June 30, 2017 and 2016, respectively) plus 0.50%, with a minimum rate of 4.75% per annum. The loan agreement was amended in November 2016 to increase the maximum borrowing limit from \$4,000,000 to \$5,000,000. As of June 30, 2017 and 2016, the outstanding balance was \$2,900,000 and \$2,200,000, respectively. The line of credit agreement includes certain financial covenants, all of which have been met or waived by the Bank for the year ended June 30, 2017.

### Note 9 - Contributions and net revenue from special events

	Year Ended June 30,	
	2017	2016
Contributions	\$ 273,793	\$ 556,270
Special event revenue	61,114	400,001
Less: costs of direct benefits to donors	(69,447)	(173,531)
Net revenue	<u>\$ 265,460</u>	<u>\$ 782,740</u>

### Note 10 - In-kind contributions of food and property

	Year Ended June 30,	
	2017	2016
Food donated by Second Harvest Food Bank	\$ 1,721,769	\$ 2,037,060
Vehicles (sold at auction)	120,925	113,192
Other goods and services	27,101	-
Rent	11,520	23,040
Special event costs	938	15,325
Total in-kind contributions	<u>\$ 1,882,253</u>	<u>\$ 2,188,617</u>

The Organization also receives donated services that do not require specific expertise but which are nonetheless central to the Volunteer Program. The Volunteer Program provides for the partnering of volunteers and the staff of the Organization to create a more cohesive community by fostering trust between residents and the development of norms of solidarity and reciprocity that is essential to stable communities. These services are not reported in the financial statements since they do not meet the criteria for recognition, as discussed in Note 3. The estimated value of these services, as determined by the Organization, was \$1,217,429 and \$1,117,928 for the years ended June 30, 2017 and 2016, respectively.

# CATHOLIC CHARITIES OF SANTA CLARA COUNTY

## Notes to Financial Statements

June 30, 2017 and 2016

### Note 11 - Commitments

The Organization leases certain facilities and equipment under cancelable and non-cancelable operating leases expiring through 2021. Minimum rental commitments under non-cancellable operating leases are as follows:

<u>For the Years Ending June 30,</u>	<u>Amount</u>
2018	\$ 196,032
2019	60,796
2020	17,402
2021	15,015
2022	<u>15,015</u>
	<u>\$ 304,260</u>

Total rental expense, which includes the Organization's share of common area expenses, for the years ended June 30, 2017 and 2016, was \$177,480 and \$167,869, respectively.

The Organization currently leases portions of John XXIII Senior Center (the "Center") from Giovanni Center, a related party, under a year-to-year lease. The lease requires the Organization to make an annual payment of \$1, plus utilities. The fair value of the favorable rent below the current market rate rent has not been reflected in the financial statements as the amount is not readily determinable and management has determined it to be immaterial to the financial statements. The property is owned by the Diocese of San Jose and is secured by a Deed of Trust on the property.

### Note 12 - Retirement plans

Retirement benefits are provided to substantially all full-time employees.

On January 1, 1989, the Organization changed its defined benefit plan to a defined contribution plan. Under the defined contribution plan, which qualifies under Section 401(k) of the Internal Revenue Code, the Organization's contributions are 5% of the annual salary of each eligible participant. Retirement benefits expense (net of forfeitures) for the years ended June 30, 2017 and 2016 was \$682,357 and \$693,705, respectively. In addition, the Organization has a defined contribution plan (employee contributions only) which qualifies under Section 403(b) of the Internal Revenue Code. These defined contribution plans cover all permanent employees.

# CATHOLIC CHARITIES OF SANTA CLARA COUNTY

## Notes to Financial Statements

June 30, 2017 and 2016

### Note 13 - Net assets released from restrictions and net assets

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose, generally related to the support of program services or by the expiration of time, are as follows for the years ended June 30, 2017 and 2016:

	June 30,	
	2017	2016
Time restrictions expired:		
Contributions - individuals and businesses	\$ 26,000	\$ 12,000
Charitable lead trust	95,282	88,224
	<u>121,282</u>	<u>100,224</u>
Purpose restrictions fulfilled:		
Appropriated endowment earnings	328,531	311,294
Contributions - foundations and trusts	1,054,004	813,395
Contributions - individuals and businesses	1,494,800	1,186,577
Disaster Recovery Services	1,766,055	-
Bequests	1,238	138
Special events	230,404	586,400
	<u>4,875,032</u>	<u>2,897,804</u>
	<u>\$ 4,996,314</u>	<u>\$ 2,998,028</u>

# CATHOLIC CHARITIES OF SANTA CLARA COUNTY

## Notes to Financial Statements

June 30, 2017 and 2016

### Note 13 - Net assets released from restrictions and net assets (continued)

Net assets at June 30, 2017 and 2016:

	June 30,	
	2017	2016
Unrestricted net assets:		
Undesignated	\$ 110,958	\$ (62,148)
Board designated reserve*	4,081,854	4,430,892
Net investment in property and equipment	3,157,815	3,413,546
Total unrestricted net assets	7,350,627	7,782,290
Temporarily restricted net assets:		
Time restrictions:		
Contributions - individuals and businesses	60,255	23,000
Charitable lead trust	234,989	558,979
	295,244	581,979
Purpose restrictions:		
Contributions - foundations and trusts	454,246	401,610
Contributions - individuals and businesses	1,485,570	1,601,966
Disaster Recovery Services	2,696,047	-
Special events - Golf & Bocce	103,306	79,499
Unappropriated endowment earnings	2,915,764	2,199,890
Emergency relief fund	53,314	53,314
Net investment in property and equipment	902,779	981,666
	8,611,026	5,317,945
Total temporarily restricted net assets	8,906,270	5,899,924
Permanently restricted net assets:		
The portion of permanent endowment funds required to be retained permanently either by explicit donor stipulations or by UPMIFA	7,085,732	6,997,664
Total permanently restricted net assets	7,085,732	6,997,664
Total net assets	\$ 23,342,629	\$ 20,679,878

\* The Board designated reserve includes amounts set aside for contingencies and operating reserves.

# CATHOLIC CHARITIES OF SANTA CLARA COUNTY

## Notes to Financial Statements

June 30, 2017 and 2016

### Note 14 - Endowment

The Organization's endowment consists of nine (9) individual funds established for a variety of purposes. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

#### Interpretation of relevant law

The California version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) requires the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the California version of UPMIFA. In accordance with the California version of UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

#### Endowment net asset composition by type of fund

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>As of June 30, 2017</u>			
Donor-restricted endowment funds	<u>\$ 2,915,764</u>	<u>\$ 7,085,732</u>	<u>\$ 10,001,496</u>
 <u>As of June 30, 2016</u>			
Donor-restricted endowment funds	<u>\$ 2,199,890</u>	<u>\$ 6,997,664</u>	<u>\$ 9,197,554</u>

**CATHOLIC CHARITIES OF SANTA CLARA COUNTY**

**Notes to Financial Statements**

June 30, 2017 and 2016

**Note 14 - Endowment (continued)**

**Changes in endowment net assets**

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>As of June 30, 2017</u>			
Endowment net assets, beginning of year	<u>\$ 2,199,890</u>	<u>\$ 6,997,664</u>	<u>\$ 9,197,554</u>
Investment return:			
Investment income	130,128	-	130,128
Net appreciation	<u>914,277</u>	<u>-</u>	<u>914,277</u>
Total investment return	<u>1,044,405</u>	<u>-</u>	<u>1,044,405</u>
Contributions	-	88,068	88,068
Appropriated earnings spent on programs	<u>(328,531)</u>	<u>-</u>	<u>(328,531)</u>
Endowment net assets, end of year	<u>\$ 2,915,764</u>	<u>\$ 7,085,732</u>	<u>\$ 10,001,496</u>
	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>As of June 30, 2016</u>			
Endowment net assets, beginning of year	<u>\$ 2,505,057</u>	<u>\$ 6,969,623</u>	<u>\$ 9,474,680</u>
Investment return:			
Investment income	138,244	-	138,244
Net depreciation	<u>(132,117)</u>	<u>-</u>	<u>(132,117)</u>
Total investment return	<u>6,127</u>	<u>-</u>	<u>6,127</u>
Contributions	-	28,041	28,041
Appropriated earnings spent on programs	<u>(311,294)</u>	<u>-</u>	<u>(311,294)</u>
Endowment net assets, end of year	<u>\$ 2,199,890</u>	<u>\$ 6,997,664</u>	<u>\$ 9,197,554</u>



# CATHOLIC CHARITIES OF SANTA CLARA COUNTY

## Notes to Financial Statements

June 30, 2017 and 2016

### Note 14 - Endowment (continued)

#### Funds with deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or California version of UPMIFA requires the Organization to retain as a fund for perpetual duration. In accordance with GAAP, deficiencies of this nature would be reported in unrestricted net assets. There were no funds with deficiencies as of June 30, 2017 and 2016.

#### Return objectives and risk parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s). These funds have been donated to the Organization with the intent that the principal remain intact and that only the investment earnings be used in the operations of the Organization. Funds should be invested in growth or income producing assets with preservation and growth as primary objectives. The assets will be invested in cash equivalents, equities, or income investments consistent with the investment policy.

#### Strategies employed for achieving objectives

The overall investment goals over a rolling five-year time period are as follows:

- A. To achieve a total return that is in the top half of managers within a representative universe with similar investment parameters. The ranking over multiple time periods is the performance criteria rather than the ranking achieved in any one specific year.
- B. The Investment Funds should experience long-term growth in the value of its assets.
- C. The Investment Funds should be invested in accordance with prudent fiduciary practice.
- D. That growth in assets should be experienced with reasonable levels of risk and volatility of return.

Management and the Board of Directors recognize that risk (i.e., the uncertainty of future events), volatility (i.e., the variability of returns), and the possibility of loss in purchasing power (due to inflation) are present to some degree in all types of investment vehicles. High levels of risk, as evidenced by high volatility and low quality rated securities, are to be avoided. The assumption of reasonable risk levels consistent with the objectives and guidelines approved by the Board of Directors is warranted and encouraged in order to allow the Investment Manager the opportunity to achieve satisfactory long-term results. The Investment Policy of the Organization is to strive for preservation and growth of entrusted funds with a maximum economic return thereon, while showing a preference toward those companies which have manifested a particular consideration for the social good.

# CATHOLIC CHARITIES OF SANTA CLARA COUNTY

## Notes to Financial Statements

June 30, 2017 and 2016

### Note 14 - Endowment (continued)

#### Spending policy and how the investment objectives relate to spending policy

The Organization shall distribute funds from the return on each endowment fund at its "normal spending rate" according to its Investment Policy and guidelines established by the Board of Directors. Currently, the normal spending rate is up to 5% on a 12 quarter rolling average of the market value. Returns on the endowment funds that exceed the normal spending allocation will normally be added to the principal (and accounted for in the temporarily restricted fund). At the discretion of the Board of Directors, some portion or all of such excess may be expended for a particular need or project related to the purpose of the endowment.

### Note 15 - Related parties

The Organization is affiliated with Charities Housing Development Corporation through common governance control by a common board member. The Organization signed contracts with Charities Housing Development Corporation to provide services at various housing projects for low-income individuals. Revenue for these services was \$283,214 and \$201,692 for the years ended June 30, 2017 and 2016, respectively.

The Organization remits dues to Catholic Charities USA, which is a trade association providing training and seminars. Dues for the years ended June 30, 2017 and 2016 were \$25,798 and \$15,748, respectively.

The Organization remits dues to Catholic Charities of California, a trade association that provides training and seminars. Dues for the years ended June 30, 2017 and 2016 were \$20,584 and \$20,888, respectively.

The Organization pays to the Roman Catholic Bishops for its portion of workers' compensation expense. Payments for the years ended June 30, 2017 and 2016 were \$92,267 and \$94,441, respectively.

The Organization pays insurance premiums to the Diocese of San Jose with respect to certain policies arranged by the Diocese of San Jose which cover the Organization as a named insured. Amounts paid for the years ended June 30, 2017 and 2016 were \$286,119 and \$272,493, respectively. The Organization also paid the Diocese of San Jose for advertising and faith services in the amounts of \$85,146 and \$73,684 for the years ended June 30, 2017, and 2016, respectively.

The Organization rents portions of John XXIII Senior Center from Giovanni Center, a related party through the Diocese of San Jose. The agreement requires the Organization to make annual payments of \$1, plus utilities (Note 11).

### Note 16 - Contingencies

#### Grants

Conditions contained within the various contracts awarded to the Organization are subject to the funding agencies' criteria and regulations under which expenditures may be charged against, and are subject to audit under such regulations and criteria. Occasionally, such audits may determine that certain costs incurred against the grants may not comply with the established criteria that govern them. In such cases, the Organization could be held responsible for repayments to the funding source for the costs or be subject to the reductions of future funding in the amount of the costs.

# CATHOLIC CHARITIES OF SANTA CLARA COUNTY

## Notes to Financial Statements

June 30, 2017 and 2016

### Note 16 - Contingencies (continued)

#### State unemployment insurance

The Organization is self-insured for unemployment insurance purposes. When terminated employees file unemployment claims with the Employment Development Department, those claims are submitted directly to the Organization for payment. Since the Organization does not know how long a particular claimant will claim benefits, it is not feasible to accurately calculate the cost of claims applicable to the year ended June 30, 2017, and as such, the Organization may be liable for claims in excess of those accrued in these financial statements. Management does not expect any possible unaccrued claims to be material to the financial statements.

#### Department of Housing and Urban Development

During July 2014, the Organization underwent a file review by the Department of Housing and Urban Development (HUD) related to the Supportive Housing Program (the Program) for the operating years (fiscal years ended June 30th) 2010-2013. HUD issued a Monitoring Report that questioned compliance with certain eligibility requirements of participants and program costs, as identified during the review. The Organization has issued detailed responses to the file review findings, along with comprehensive corrective action plans.

During the year ended June 30, 2017, HUD has evaluated the response and has concluded that leasing costs are allowable and can be invoiced by the Organization.

Therefore, the Organization has recognized the reimbursement revenue of \$960,862 during the year ended June 30, 2017. Included in accounts receivable within the accompanying Statements of Financial Position as of June 30, 2017 and 2016, are amounts approximating \$1,437,000 and \$476,000, respectively, which have been invoiced to HUD for the reimbursement of these allowed leasing costs. Subsequent to the year ended June 30, 2017, the Organization has received approximately \$529,000 towards the outstanding receivable.

### Note 17 - Disaster Recovery Services

In 2017, the Organization received relief funds from the Silicon Valley Community Foundation and other private donors related to the City of San Jose Flood Relief Program. The relief funds were used to provide direct financial assistance for impacted residents from the Coyote Creek Flood. The sources of relief funds received and expended during the year ended June 30, 2017 are as follows:

Silicon Valley Community Foundation-City of San Jose	\$ 3,989,483
Private donors	471,204
Interest income	<u>1,415</u>
Total funds received	4,462,102
Expenditures	<u>1,766,055</u>
Total cash held for disaster recovery services	<u><u>\$ 2,696,047</u></u>

# CATHOLIC CHARITIES OF SANTA CLARA COUNTY

## Notes to Financial Statements

June 30, 2017 and 2016

### **Note 18 - Concentrations**

The Organization receives a significant portion of its revenue and support from several governmental agencies. If these governmental agencies terminated their support of the Organization, the Organization's ability to provide continuing services could be significantly impacted.

**SUPPLEMENTARY INFORMATION**

# CATHOLIC CHARITIES OF SANTA CLARA COUNTY

## CITY OF SAN JOSE CONTRACTS AND BILLINGS

Year Ended June 30, 2017

Program Name	Program #	Contract Number	Source	Budget Amount	Amount Billed
Sr Ctr San Jose Sr Wellness	402-425-Y001	645198	City	\$ 32,000	\$ 9,449
Sr Ctr San Jose Sr Wellness	402-425-Y001	645370	City	50,000	34,301
Responsible Landlord - City of San Jose	710-889-Y001	GF 15-009A Amend #1	City	175,000	75,894
Child Initiative - Santee Summer Prgm	804-958	644949	City	25,000	13,286
Pop Up Parks	804-958-Y001	645555	City	25,000	4,170
City of SJ Santee Neighbor- hood Support Svcs	804-962-Y001	GF-16-012	City	80,000	21,532
Safe Summer Initiative - SSI	808-875-Y001	645263, 645687	City	24,500	14,983
SJ BEST	808-877-Y001	645139	City	314,000	77,346
SJ BEST	808-877-Y001	645384 + OT	City	323,393	237,008
Spartan Keyes (San Jose)	808-880-Y001	645252 Amend year 2 of 2	City	104,000	88,489
				<u>\$ 1,152,893</u>	<u>\$ 576,458</u>

**REPORTS AND SCHEDULES  
REQUIRED BY THE UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S 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 Santa Clara County  
San Jose, California

We have audited, in accordance with U.S. generally accepted auditing standards 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 Santa Clara County (the "Organization"), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 10, 2017.

#### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization'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 the Organization'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 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. 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.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization'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*.



**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.

A handwritten signature in cursive script that reads "Abbott, Shingler & Lynch".

November 10, 2017

INDEPENDENT AUDITOR'S 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 Santa Clara County  
San Jose, California

**Report on Compliance for Each Major Federal Program**

We have audited Catholic Charities of Santa Clara County's (the "Organization") 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 Organization's major federal programs for the year ended June 30, 2017. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Organization'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 U.S. generally accepted auditing standards; 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 Organization'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 Organization's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Organization 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, 2017.

## Report on Internal Control over Compliance

Management of the Organization 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 Organization'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 Organization's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



November 10, 2017

**CATHOLIC CHARITIES OF SANTA CLARA COUNTY**

**Schedule of Expenditures of Federal Awards**

June 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures (\$)
<b>United States Department of Agriculture</b>			
Stated Administrative Matching Grants for the Supplemental Nutrition Assistance Program:			
Passed through the Catholic Charities of California	10.561	13-3065 A-1	\$ 61,675
Passed through the Catholic Charities of California	10.561	15-SUB-01382 A-1 + CF	71,040
Food and Nutrition Service Emergency Food Assistance Program:			
Passed through Second Harvest Food Bank	10.569	15011, 19030, 16039, 16034, 16045	<u>12,072</u>
Total United States Department of Agriculture			<u>144,787</u>
<b>United States Department of Housing and Urban Development</b>			
Community Development Block Grants/Entitlement Grants:			
Passed through Santa Clara Urban County, CA	14.218	PS-17-01	11,527
Passed through City of Santa Clara, CA	14.218	FY16-17 401-418	6,085
Passed through City of Milpitas, CA	14.218	38077.00190\29118392.2	5,083
Passed through City of Palo Alto, CA	14.218	140605 jb 0131218	5,012
Passed through City of San Jose, CA	14.218	CPS-12-002D	<u>95,303</u>
			<u>123,010</u>
Supportive Housing Program:			
Passed through New Directions	14.235	CA0014L9T001306	514,917
Passed through Medical Respite	14.235	CA0001L9T001303	<u>445,975</u>
			<u>960,892</u>
Total United States Department of Housing and Urban Development			<u>1,083,902</u>

**CATHOLIC CHARITIES OF SANTA CLARA COUNTY**

**Schedule of Expenditures of Federal Awards**

June 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures (\$)
<b>United States Department of Education</b>			
Rehabilitation Services Vocational Rehabilitation			
Grants to States:			
Passed through the State of California Department of Education	84.126	30028	<u>\$ 443,975</u>
Total United States Department of Education			<u>443,975</u>
<b>United States Department of Health and Human Services</b>			
Unaccompanied Alien Children Program:			
Unaccompanied Alien Children Program \$200 day per Child	93.676	09ZU0090	12,595
Special Programs for the Aging:			
Passed through Council on Aging - Title VII, Chapter 2, Title VII Part A - Ombudsman	93.042	20172301	59,088
Special Programs for the Aging:			
Passed through Council on Aging - Title VII, Chapter 3, Title VII, Part B	93.041	20172401	22,684
Aging Cluster:			
Passed through Council on Aging - Title III: Title III, Title III, Part B - Ombudsman	93.044	20171901	40,664
Special Programs for the Aging:			
Passed through County of Santa Clara Title III, Part C - Nutrition Services	93.045	CDFA5A1A3-DFD7-484E-A32F- DB2FE9DAF024	293,147
Passed through County of Santa Clara Title III, Part C - Nutrition Services	93.045	CDFA5A1A3-DFD7-484E-A32F- DB2FE9DAF024	<u>274,316</u>
Total Aging Cluster			<u>608,127</u>

# CATHOLIC CHARITIES OF SANTA CLARA COUNTY

## Schedule of Expenditures of Federal Awards

June 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures (\$)
National Family Caregiver Support: Passed through Council on Aging Title III, Part E - Grandparent Caregiver	93.052	20172802	<u>\$ 34,694</u>
Refugee and Entrant Assistance - State Administered Programs: Passed through the State of California Department of Social Services	93.566	14-3007	<u>5,773,377</u>
Total United States Department Health and Human Services			<u>6,510,565</u>
<b>United States Department of Homeland Security</b>			
Citizenship Education and Training	97.010	2014-CS-010-000004	<u>20,646</u>
Total United States Department of Homeland Security			<u>20,646</u>
<b>United States Department of Justice</b>			
Justice Systems Response to Families Program: SCC Superior OFV	16.021	C2201708 PO4300005780	<u>8,177</u>
Total United States Department of Justice			<u>8,177</u>
<b>United States Department of State</b>			
Refugee Admissions Program:			
Passed through U.S. Catholic Conference - URM	19.510	S-PRMCO-16-CA-1003	7,870
Passed through U.S. Catholic Conference - URM	19.510	FY 16-17 700-746	19,896
Refugee Resettlement	19.510	FY 16-17 704-743	20,250
Refugee Resettlement	19.510	FY 16-17 704-743	<u>97,525</u>
Total United States Department of State			<u>145,541</u>
Total Expenditures of Federal Awards			<u><u>\$ 8,357,593</u></u>

# CATHOLIC CHARITIES OF SANTA CLARA COUNTY

## Notes to Schedule of Expenditures of Federal Awards

June 30, 2017

### **Note 1 - Basis of presentation**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Organization under programs of the federal government for the year ended June 30, 2017. 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 the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

### **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.

### **Note 3 - Indirect cost rate**

The Organization has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

### **Note 4 - Food distribution**

Nonmonetary assistance is reported in the Schedule at the fair value of the commodities received and disbursed. At June 30, 2017, the Organization had no food commodities in inventory.

### **Note 5 - Payments to subrecipients**

The Organization did not make any payments to subrecipients for the year ended June 30, 2017.

**CATHOLIC CHARITIES OF SANTA CLARA COUNTY**

**Schedule of Findings and Questioned Costs**

June 30, 2017

**Section I - Summary of Auditor's Results**

Financial statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified?  yes  no

Significant deficiency(ies) identified that are not considered to be material weaknesses?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

Federal awards

Internal control over major programs:

Material weakness(es) identified?  yes  no

Significant deficiency(ies) identified that are not considered to be material weaknesses?  yes  none reported

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?  yes  no

Identification of major programs:

<u>CFDA number(s)</u>	<u>Name of federal program or cluster</u>
14.235	Supportive Housing Program
93.566	Refugee and Entrant Assistance - State

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

Auditee qualified as low-risk auditee?  yes  no



# **CATHOLIC CHARITIES OF SANTA CLARA COUNTY**

## **Schedule of Findings and Questioned Costs**

June 30, 2017

### **Section II - Financial Statement Findings**

No financial statement findings.

### **Section III - Federal Award Findings and Questioned Costs**

No federal awards findings.

# CATHOLIC CHARITIES OF SANTA CLARA COUNTY

## Schedule of Prior Audit Findings

June 30, 2017

### **Status of prior year audit findings**

The Organization did not have any audit findings for the year ended June 30, 2016.