

*Members:*

Douglas R. Birch, CPA\*  
Craig A. Gilman, CPA\*  
Betty Isler, CPA\*  
Michael D. Kindt, CPA\*/PFS, CFP®  
Michael E. Lewis, CPA\*/ABV/CFF, CVA  
Tracey McDonald, CPA\*  
Kathy Mills, CPA\*/ABV/CFF, CVA  
Anthony S. Phillips, CPA\*/ABV/CFF  
Ronald M. Ricardo, CPA\*



**CLEARWATER**  
1401 Court Street  
Clearwater, Florida 33756  
(727) 446-3058 • FAX (727) 441-1499

**TAMPA**  
1530 W. Cleveland Street  
Tampa, Florida 33606  
(813) 594-1400 • FAX (813) 594-1408

**SARASOTA**  
1990 Main Street, Suite 750  
Sarasota, Florida 34236  
(941) 373-0555 • FAX (941) 309-5149

[www.lbrllc.com](http://www.lbrllc.com)

**CATHOLIC CHARITIES,  
DIOCESE OF ST. PETERSBURG, INC.  
AND AFFILIATES**

Combined Financial Statements, Supplementary Financial  
Information and Reports as Required by the  
Comptroller General of the United States and Office of  
Management and Budget Circular A-133 and Rules of the  
Auditor General, Chapter 10.650

June 30, 2010 and 2009

**CATHOLIC CHARITIES,  
DIOCESE OF ST. PETERSBURG, INC. AND AFFILIATES**

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**AUDITED FINANCIAL STATEMENTS**

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**Independent Auditors' Report on Combined Basic Financial  
Statements and Supplementary Financial Information**

The Board of Trustees  
Catholic Charities, Diocese of St. Petersburg, Inc.:

We have audited the accompanying combined statements of financial position of Catholic Charities, Diocese of St. Petersburg, Inc. and Affiliates as of June 30, 2010 and 2009, and the related combined statements of unrestricted support and revenue, expenses and other changes in unrestricted net assets, changes in net assets and cash flows for the years then ended and the related combined statement of functional expenses for the year ended June 30, 2010. These combined financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these combined financial statements based on our audits. The prior year summarized comparative information included in the combined statement of functional expenses has been derived from the Organization's 2009 combined financial statements and, in our report dated December 9, 2009, we expressed an unqualified opinion on those financial statements.

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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Catholic Charities, Diocese of St. Petersburg, Inc. and Affiliates as of June 30, 2010 and 2009, and their changes in net assets and their cash flows for the years then ended, and their functional expenses for the year ended June 30, 2010 in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 8, 2010 on our consideration of Catholic Charities, Diocese of St. Petersburg, Inc. and Affiliates' internal control over financial reporting and our tests of their 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were performed for the purpose of forming an opinion on the combined basic financial statements of Catholic Charities, Diocese of St. Petersburg, Inc. and Affiliates taken as a whole. The supplementary financial information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the combined basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.650, *Rules of the Auditor General*, and is also not a required part of the combined basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the combined basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the combined basic financial statements taken as a whole.

*Lewis, Birch & Ricardo, LLC*

Clearwater, Florida  
December 8, 2010

**CATHOLIC CHARITIES,  
DIOCESE OF ST. PETERSBURG, INC. AND AFFILIATES**

Combined Statements of Financial Position

June 30, 2010 and 2009

<u>Assets</u>	<u>2010</u>	<u>2009</u>
Current assets:		
Cash (including restricted cash of \$153,572 and \$123,532 in 2010 and 2009, respectively) (notes 4 and 7)	\$ 1,062,607	564,682
Receivables:		
Grants and contracts (note 7)	976,748	725,606
Client service fees	91,422	67,073
Contributions	102,930	67,738
Other (note 4)	264,981	202,951
Properties held for sale (note 3)	267,917	337,589
Prepaid expenses and other current assets	52,900	53,756
	<hr/>	<hr/>
Total current assets	2,819,505	2,019,395
Investments in common stock, at fair value (note 13)	30,171	19,210
Cash restricted for long-term investment by donor	26,759	26,759
Investments restricted for long-term purposes under bond indenture (notes 3 and 13)	296,441	296,441
Beneficial interest in assets held by others (notes 9 and 13)	20,242	18,340
Land, buildings and equipment, net (notes 2, 3, and 10)	25,287,886	21,274,828
Receivable from remainder trust (notes 8 and 13)	70,550	68,664
Other assets	75,635	88,124
	<hr/>	<hr/>
	\$ <u>28,627,189</u>	<u>23,811,761</u>

See accompanying notes to combined financial statements.

<u>Liabilities and Net Assets</u>	<u>2010</u>	<u>2009</u>
Current liabilities:		
Bank overdraft	\$ 49,264	58,731
Line of credit (note 3)	5,720	-
Current installments of long-term debt (note 3)	955,684	700,724
Accounts payable - trade	580,538	790,522
Accounts payable - construction	342,180	87,202
Accrued expenses (note 4)	626,454	505,901
Deferred revenue	91,811	89,306
	<u>2,651,651</u>	<u>2,232,386</u>
Advance from United States Conference of Catholic Bishops	23,500	23,500
Long-term debt, excluding current installments (note 3)	7,706,843	6,937,471
	<u>10,381,994</u>	<u>9,193,357</u>
Net assets:		
Unrestricted-		
Undesignated	3,005,662	2,522,527
Designated for long-term investment under bond indenture	296,441	296,441
	<u>3,302,103</u>	<u>2,818,968</u>
Temporarily restricted (note 10)	14,845,529	11,701,873
Permanently restricted (note 10)	97,563	97,563
	<u>18,245,195</u>	<u>14,618,404</u>
Commitments and related party transactions (notes 4 and 5)		
	<u>\$ 28,627,189</u>	<u>23,811,761</u>

**CATHOLIC CHARITIES,  
DIOCESE OF ST. PETERSBURG, INC. AND AFFILIATES**

Combined Statements of Unrestricted Support and Revenue, Expenses and  
Other Changes in Unrestricted Net Assets

Years ended June 30, 2010 and 2009  
(Page 1 of 2)

	<b>2010</b>	<b>2009</b>
<b>Operating Support and Revenue (note 7):</b>		
<i>Public support:</i>		
Special events revenue	\$ 151,079	130,220
Less special event expenses	<u>(27,296)</u>	<u>(31,538)</u>
Net revenue from special events	<u>123,783</u>	<u>98,682</u>
Diocesan subsidy (note 4)	972,000	927,000
Contributions and bequests	669,763	431,451
In-kind contributions (note 11)	873,681	867,525
United Way allocations	<u>235,567</u>	<u>172,145</u>
	<u>2,751,011</u>	<u>2,398,121</u>
<i>Revenue:</i>		
Client service fees	469,795	603,022
Reimbursement of direct and indirect costs of providing program services by government and other agencies	5,733,067	4,923,967
Interest income	8,547	13,400
Rental income	1,525,843	1,258,831
Management fee income	242,633	206,694
Other	<u>104,838</u>	<u>64,956</u>
	<u>8,084,723</u>	<u>7,070,870</u>
<i>Net assets released from restrictions:</i>		
Expiration of time restrictions on capital assets	487,305	449,778
Expiration of other time restrictions	102,864	108,031
Satisfaction of donor use restrictions	<u>333,733</u>	<u>354,648</u>
	<u>923,902</u>	<u>912,457</u>
Total operating support and revenue	<u>11,883,419</u>	<u>10,480,130</u>
<b>Operating Expenses:</b>		
Program services	10,538,525	9,662,980
Supporting services	<u>1,254,481</u>	<u>1,194,891</u>
Total operating expenses	<u>11,793,006</u>	<u>10,857,871</u>
Increase (decrease) in unrestricted net assets from operations	<u>90,413</u>	<u>(377,741)</u>



**CATHOLIC CHARITIES,  
DIOCESE OF ST. PETERSBURG, INC. AND AFFILIATES**

Combined Statements of Unrestricted Support and Revenue, Expenses and  
Other Changes in Unrestricted Net Assets

Years ended June 30, 2010 and 2009  
(Page 2 of 2)

	<b>2010</b>	<b>2009</b>
<b>Other changes:</b>		
Net unrealized gain on investment in common stock	\$ 10,961	550
Gain (loss) on disposal of property and equipment	49,668	(192,489)
Settlement income - San Jose Mission	375,000	-
Litigation expenses - San Jose Mission	(45,753)	(64,273)
Net assets released from restriction - satisfaction of capital expenditure restrictions	2,846	44,423
Increase (decrease) in unrestricted net assets	483,135	(589,530)
Unrestricted net assets at beginning of year	2,818,968	3,408,498
Unrestricted net assets at end of year	\$ 3,302,103	2,818,968

See accompanying notes to combined financial statements.

**CATHOLIC CHARITIES,  
DIOCESE OF ST. PETERSBURG, INC. AND AFFILIATES**

Combined Statements of Changes in Net Assets

Years ended June 30, 2010 and 2009

	2010	2009
<b>Unrestricted net assets:</b>		
Total unrestricted operating support and revenue	\$ 10,959,517	9,567,673
Total unrestricted operating expenses	(11,793,006)	(10,857,871)
Net unrealized gain on investment in common stock	10,961	550
Gain (loss) on disposal of property and equipment	49,668	(192,489)
Settlement income - San Jose Mission	375,000	-
Litigation expenses - San Jose Mission	(45,753)	(64,273)
Net assets released from restrictions	926,748	956,880
Increase (decrease) in unrestricted net assets	483,135	(589,530)
<b>Temporarily restricted net assets:</b>		
Contributions and bequests	328,801	469,108
United Way allocations	102,930	67,738
Capital grants and contributions (note 3)	3,636,787	829,199
Change in value of remainder trust	1,886	(41,472)
Net assets released from restrictions	(926,748)	(956,880)
Increase in temporarily restricted net assets	3,143,656	367,693
Increase (decrease) in net assets	3,626,791	(221,837)
Net assets at beginning of year	14,618,404	14,840,241
Net assets at end of year	\$ 18,245,195	14,618,404

See accompanying notes to combined financial statements.

**CATHOLIC CHARITIES,  
DIOCESE OF ST. PETERSBURG, INC. AND AFFILIATES**

Combined Statement of Functional Expenses

Year ended June 30, 2010  
(With comparative totals for 2009)

(Page 1 of 3)

	Pinellas Village	Mobile Medical Service	Marriage and Family Counseling	Family Outreach and Support	East Hillsborough Programs	Housing Counseling	HIV/AIDS Assistance
Salaries and wages	\$ 197,373	2,689	103,147	134,203	347,455	117,196	61,371
Employee benefits and payroll taxes	58,681	7,415	36,884	45,034	136,753	40,457	21,518
Contractor expenses	2,745	39,900	75,260	670	60,438	2,479	-
Professional fees	8,287	-	-	1,935	488	-	-
Travel expenses	1,719	-	6,390	6,611	17,655	6,827	2,877
Occupancy	508,667	1,209	26,193	3,434	90,755	8,561	357
Communications	11,047	986	6,979	3,381	11,898	3,760	1,300
Operating supplies	23,345	15,311	1,779	4,113	29,072	1,210	797
Printing and publications	815	155	682	158	401	300	-
Equipment	10,179	4,472	7,803	1,927	16,393	4,584	894
Computer expenses	9,844	565	3,062	1,326	18,327	1,972	3,478
Insurance	78,775	2,617	521	593	1,792	3,011	2,207
Dues, memberships and subscriptions	120	15	60	20	744	-	3
Assistance to individuals	-	188	4,484	4,400	6,183	-	495,587
In-kind (note 11)	-	19,196	-	-	-	-	-
Interest	-	-	1,680	463	3,193	2,972	-
Other	66,980	15	1,400	173	693	159	59
<b>Total direct expenses</b>	<b>978,577</b>	<b>94,733</b>	<b>276,324</b>	<b>208,441</b>	<b>742,240</b>	<b>193,488</b>	<b>590,448</b>
Depreciation and amortization	17,898	2,371	3,924	5,645	30,391	2,776	15,048
<b>Total expenses</b>	<b>\$ 996,475</b>	<b>97,104</b>	<b>280,248</b>	<b>214,086</b>	<b>772,631</b>	<b>196,264</b>	<b>605,496</b>

See accompanying notes to combined financial statements.

<b>Pregnancy and Parenting Support</b>	<b>Immigration Services</b>	<b>DCF Employability</b>	<b>Refugee Services</b>	<b>Kinship Pinellas</b>	<b>Bethany Family Apartments</b>	<b>Mercy House</b>	<b>Mercy Apartments</b>	<b>Christopher House</b>
218,717	136,158	215,169	183,544	153,640	75,952	240,189	11,514	11,904
70,040	55,090	78,339	64,356	40,717	28,447	78,729	3,319	6,782
4,222	1,427	1,789	1,190	2,669	3,332	1,720	-	77
26,088	-	-	-	-	-	-	-	-
7,272	3,672	4,911	8,059	7,830	2,708	5,658	408	607
38,481	4,419	19,428	11,187	9,994	41,348	78,093	2,228	27,014
14,146	1,094	6,923	4,863	4,256	8,422	5,005	269	1,950
13,402	5,486	8,156	1,577	15,541	2,685	34,581	230	533
3,359	454	305	325	1,559	155	155	-	155
27,544	2,515	11,282	8,407	5,618	6,031	19,190	316	7,830
5,863	1,610	5,112	4,291	1,800	2,640	3,853	143	267
5,972	992	2,100	4,916	1,090	5,030	9,232	-	2,791
899	500	500	-	5	519	35	2	-
8,909	1,285	-	276,721	13,868	9,591	9,076	-	-
117,116	-	-	94,494	-	-	-	-	-
3,069	1,194	4,587	3,423	3,799	6	-	-	-
10,551	820	388	29,453	929	3,491	1,724	-	422
<b>575,650</b>	<b>216,716</b>	<b>358,989</b>	<b>696,806</b>	<b>263,315</b>	<b>190,357</b>	<b>487,240</b>	<b>18,429</b>	<b>60,332</b>
<b>13,972</b>	<b>4,159</b>	<b>7,859</b>	<b>11,660</b>	<b>3,850</b>	<b>53,429</b>	<b>286,884</b>	<b>282</b>	<b>14,931</b>
<b>589,622</b>	<b>220,875</b>	<b>366,848</b>	<b>708,466</b>	<b>267,165</b>	<b>243,786</b>	<b>774,124</b>	<b>18,711</b>	<b>75,263</b>

**CATHOLIC CHARITIES,  
DIOCESE OF ST. PETERSBURG, INC. AND AFFILIATES**

Combined Statement of Functional Expenses

Year ended June 30, 2010  
(With comparative totals for 2009)

(Page 2 of 3)

	Christopher Center Apartments	Christopher Family Residence	Respite/ Elderly Services	Project Healing & Hope	United Way EFSP	City of St. Petersburg - HRP	Haiti Relief
Salaries and wages	\$ 19,760	1,483	31,042	28,698	165	7,329	95,094
Employee benefits and payroll taxes	8,211	895	9,992	7,377	13	541	13,176
Contractor expenses	1,034	-	138	50	1,560	-	7,414
Professional fees	-	-	-	-	-	-	-
Travel expenses	1,190	130	2,330	146	-	40	1,241
Occupancy	43,251	7,608	4,635	-	-	170	4,232
Communications	1,393	944	2,272	-	-	-	4,914
Operating supplies	487	-	1,517	-	337	700	60,106
Printing and publications	155	-	532	115	-	-	1,495
Equipment	689	174	2,489	-	9	-	5,565
Computer expenses	447	99	472	162	50	-	7,674
Insurance	13,818	936	6	-	-	-	-
Dues, memberships and subscriptions	1	-	84	-	-	-	-
Assistance to individuals	-	-	55	210	9,184	47,870	193,879
In-kind (note 11)	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	202
Other	334	7	681	-	-	168	84
<b>Total direct expenses</b>	<b>90,770</b>	<b>12,276</b>	<b>56,245</b>	<b>36,758</b>	<b>11,318</b>	<b>56,818</b>	<b>395,076</b>
Depreciation and amortization	55,691	10,443	760	496	153	-	6,596
<b>Total expenses</b>	<b>\$ 146,461</b>	<b>22,719</b>	<b>57,005</b>	<b>37,254</b>	<b>11,471</b>	<b>56,818</b>	<b>401,672</b>

See accompanying notes to combined financial statements.

Friends in Need	Pinellas HOPE	Pinellas Hope Respite	Ministries of Mercy	San Jose Mission Phase I	San Jose Mission Phase II	Catholic Charities Housing	Catholic Charities Community Development Corporation	Total Program Services
6,744	424,525	39,783	5,948	65,337	32,314	(12,170)	144,996	3,101,269
1,257	134,463	9,583	666	27,133	935	12,394	45,860	1,045,057
741	35,189	528	96	1,480	-	-	741	246,889
-	71,847	-	1,050	9,980	19,554	565	400	140,194
71	4,378	1,276	90	2,963	126	-	3,660	100,845
7,907	179,564	1,173	4,499	54,099	7,917	-	8,076	1,194,499
9	12,471	479	2,670	1,696	-	-	4,560	117,687
1,164	229,109	2,990	91	2,189	-	-	2,268	458,776
-	270	115	-	155	-	-	171	11,986
174	43,293	27	408	10,493	-	-	3,979	202,285
331	14,555	285	103	1,441	2,892	281	1,933	94,878
-	7,920	-	-	32,707	-	786	1,892	179,704
-	150	-	-	-	-	-	5,714	9,371
54,704	102,861	151	1,969	-	-	-	-	1,241,175
-	642,875	-	-	-	-	-	-	873,681
27	-	-	321	71,186	82,979	-	3,436	182,537
6	1,471	-	821	9,801	1,017	4,339	6,460	142,446
73,135	1,904,941	56,390	18,732	290,660	147,734	6,195	234,146	9,343,279
5,350	126,310	8,919	226	249,662	211,190	41,728	2,643	1,195,246
<u>78,485</u>	<u>2,031,251</u>	<u>65,309</u>	<u>18,958</u>	<u>540,322</u>	<u>358,924</u>	<u>47,923</u>	<u>236,789</u>	<u>10,538,525</u>

**CATHOLIC CHARITIES,  
DIOCESE OF ST. PETERSBURG, INC. AND AFFILIATES**

Combined Statement of Functional Expenses

Year ended June 30, 2010  
(With comparative totals for 2009)

(Page 3 of 3)

	<u>Supporting Services</u>		<u>Total Expenses</u>	
	<u>General and Administrative</u>	<u>Development</u>	<u>2010</u>	<u>2009</u>
Salaries and wages	\$ 567,839	32,300	3,701,408	3,453,019
Employee benefits and payroll taxes	173,522	11,305	1,229,884	1,114,440
Contractor expenses	15,507	-	262,396	312,402
Professional fees	114,081	-	254,275	348,091
Travel expenses	12,178	-	113,023	127,150
Occupancy	45,804	2,411	1,242,714	1,104,887
Communications	28,912	1,522	148,121	167,144
Operating supplies	23,531	981	483,288	365,367
Printing and publications	6,502	-	18,488	6,386
Equipment	29,013	1,527	232,825	223,749
Computer expenses	21,022	876	116,776	126,443
Insurance	8,957	-	188,661	165,902
Dues, memberships and subscriptions	15,297	-	24,668	11,720
Assistance to individuals	41	-	1,241,216	1,074,905
In-kind (note 11)	-	-	873,681	867,525
Interest	69,381	-	251,918	206,981
Other	66,646	2,777	211,869	259,123
	<u>1,198,233</u>	<u>53,699</u>	<u>10,595,211</u>	<u>9,935,234</u>
Total direct expenses				
Depreciation and amortization	2,549	-	1,197,795	922,637
	<u>1,200,782</u>	<u>53,699</u>	<u>11,793,006</u>	<u>10,857,871</u>
Total expenses	\$			

See accompanying notes to combined financial statements.

**CATHOLIC CHARITIES,  
DIOCESE OF ST. PETERSBURG, INC. AND AFFILIATES**

Combined Statements of Cash Flows

Years ended June 30, 2010 and 2009

	<b>2010</b>	<b>2009</b>
<b>Cash flows from operating activities:</b>		
Increase (decrease) in net assets	\$ 3,626,791	(221,837)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,197,795	922,637
Loss (gain) on disposal of property and equipment	(49,668)	192,489
Donated properties	(30,638)	-
Net unrealized gain on investment in common stock	(10,961)	(550)
Amortization of discount on notes payable	35,127	-
Change in value of assets held by others	(1,902)	4,600
Change in value of remainder trust	(1,886)	41,472
Cash received under government grants and other contributions for acquisition of capital assets	(1,284,130)	(270,772)
Noncash contributions arising from below market interest loans	(2,352,657)	(656,184)
Changes in assets and liabilities:		
Decrease (increase) in receivables	(372,713)	1,290,584
Decrease (increase) in prepaid expenses and other assets	8,856	(1,487)
Increase (decrease) in bank overdraft	(9,467)	58,731
Increase (decrease) in accounts payable	44,994	(1,225,627)
Increase in accrued expenses	120,553	208,663
Increase in deferred revenue	2,505	42,789
	<b>922,599</b>	<b>385,508</b>
<b>Cash flows from investing activities (note 12):</b>		
Proceeds from sale of property and equipment	104,000	2,273
Purchases of property and equipment	(3,398,476)	(1,085,371)
Net increase in cash restricted for long-term investment under bond indenture	-	(2,150)
	<b>(3,294,476)</b>	<b>(1,085,248)</b>
<b>Cash flows from financing activities (note 12):</b>		
Proceeds received from issuance of long-term debt	1,801,070	908,294
Principal payments on long-term debt	(221,118)	(185,897)
Net advances (repayments) on line of credit	5,720	(300,000)
Cash received under governmental grants and other contributions for acquisition of capital assets	1,284,130	270,772
	<b>2,869,802</b>	<b>693,169</b>
Net increase (decrease) in cash	497,925	(6,571)
Cash at beginning of year	564,682	571,253
Cash at end of year	<b>\$ 1,062,607</b>	<b>564,682</b>

See accompanying notes to combined financial statements.



**CATHOLIC CHARITIES,  
DIOCESE OF ST. PETERSBURG, INC. AND AFFILIATES**

Notes to Combined Financial Statements

June 30, 2010 and 2009

**(1) Description of Organization and Summary of Significant Accounting Policies**

**(a) Description of Organization**

Catholic Charities, Diocese of St. Petersburg, Inc. and its affiliates, Catholic Charities Housing, Inc., Catholic Charities Foundation of Tampa Bay, Inc. and Catholic Charities Community Development Corporation (collectively referred to as the "Organization") are voluntary health and welfare agencies that provide a variety of services to individuals in need in the Tampa Bay region of Florida.

Services provided by the Organization include disaster relief, family counseling, pregnancy related programs, mobile medical services, child placement services, services to the elderly and persons with AIDS, a disabilities program and programs for providing low cost housing. In addition, the Organization provides emergency assistance to individuals or families who are in need of food, clothing or shelter. The Organization also provides refugee resettlement and immigration services to individuals and families who plan to resettle in the area.

Funding for the Organization's programs is provided by the Diocese of St. Petersburg (the Diocese), United States Catholic Conference, various area United Ways, Federal, State, City and County government agencies, contributions, and program service fees.

**(b) Principles of Combination**

The combined financial statements include the financial statements of Catholic Charities, Diocese of St. Petersburg, Inc., and its affiliates, Catholic Charities Housing, Inc., Catholic Charities Foundation of Tampa Bay, Inc. and Catholic Charities Community Development Corporation. All significant inter-organizational balances and transactions have been eliminated in combination.

**(c) Financial Statement Presentation**

The Organization's financial statements have been prepared on the accrual basis of accounting. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted net assets.

The statement of functional expenses includes certain prior-year summarized comparative information in total but not by functional category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the Organization's combined financial statements for the year ended June 30, 2009, from which the summarized information was derived.

(Continued)

**CATHOLIC CHARITIES,  
DIOCESE OF ST. PETERSBURG, INC. AND AFFILIATES**

Notes to Combined Financial Statements

**(d) Financial Accounting Standards**

In June 2009, the Financial Accounting Standards Board (FASB) issued authoritative guidance establishing two levels of U.S. generally accepted accounting principles (GAAP) - authoritative and nonauthoritative - and making the Accounting Standards Codification (ASC) the source of authoritative, nongovernmental GAAP, except for rules and interpretive releases of the Securities and Exchange Commission. This guidance, which was incorporated into ASC Topic 105 - Generally Accepted Accounting Principles, was effective for interim and annual periods ending after September 15, 2009. The adoption changed certain disclosure references to U.S. GAAP, but did not have any other impact on the Organization's combined financial statements.

**(e) Contributions**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire or are otherwise satisfied in the fiscal year in which the contributions are recognized. Time-restricted contributions are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the time restriction.

**(f) Receivables**

Receivables are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on historical experience, third-party contracts, and other circumstances, which may affect the ability of payors to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with contractual terms. It is the Organization's policy to charge off uncollectible receivables when management determines the receivable will not be collected.

**(g) Investments**

Investments in equity securities with readily determinable fair values and all investments in debt securities are carried at their fair values in the Organization's statement of financial position. Unrealized gains and losses are included in the change in net assets. Restrictions on investment earnings are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the earnings are reported.

(Continued)

**CATHOLIC CHARITIES,  
DIOCESE OF ST. PETERSBURG, INC. AND AFFILIATES**

Notes to Combined Financial Statements

**(h) Properties Held for Sale**

The Organization develops and rehabilitates various homes and properties that are sold to low-income individuals. At times, the Organization rents properties held for sale on a temporary basis. Given the temporary term of these leasing arrangements, the Organization does not record depreciation on the properties being leased. These properties are stated at cost or, in the event of contributed property, at fair market value at the date of the contribution, plus construction and other development costs.

**(i) Land, Buildings and Equipment**

Land, buildings and equipment are stated at cost, if purchased, or at estimated fair value at date of receipt if acquired by gift. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the lease term or estimated useful life of the asset. Expenditures for property and equipment in excess of \$500 and with a useful life of at least one year are capitalized. The estimated useful lives of related asset classes are as follows:

Buildings and improvements	7 to 40 years
Furniture and equipment	3 to 10 years
Vehicles	3 to 5 years

**(j) Donated Materials and Services**

Donations of materials are recorded as support at their estimated fair value at the date of donation. Donations of services are recorded as support at their estimated fair value if the services received (a) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation or (b) create or enhance nonfinancial assets.

**(k) Functional Allocation of Expenses**

The costs of providing the Organization's various programs have been summarized on a functional basis in a separate combined statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

(Continued)

**CATHOLIC CHARITIES,  
DIOCESE OF ST. PETERSBURG, INC. AND AFFILIATES**

Notes to Combined Financial Statements

**(l) Income Taxes**

The Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and from Florida income tax under Chapter 220 of the Florida Statutes. The Internal Revenue Code provides for taxation of unrelated business income under certain circumstances. The Organization reports no unrelated business taxable income; however, such status is subject to final determination upon examination of the related income tax returns by the appropriate taxing authorities. The Organization has adopted the provisions of ASC 740 relating to "Accounting for Uncertainty in Income Taxes" and does not believe it has any material income tax exposure relating to uncertain tax positions. The Organization's income tax filings for periods after the fiscal year ended June 30, 2006 remain subject to examination.

**(m) Fair Value Measurements**

The Organization has adopted FASB guidance relating to *Fair Value Measurements* which requires the use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels: quoted market prices that are observable for the assets or liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs from the asset or liability (Level 3).

The carrying amount reported in the combined statements of financial position for cash, accounts receivable, and accounts payable approximate fair value because of the immediate or short-term maturities of these financial instruments.

**(n) Reclassifications**

Certain amounts in the 2009 combined financial statements have been reclassified to conform to the 2010 presentation.

**(o) Cash Equivalents**

The Organization considers all highly liquid debt instruments with an original maturity of three months or less when purchased to be cash equivalents.

**(p) Estimates in Combined Financial Statements**

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

(Continued)

**CATHOLIC CHARITIES,  
DIOCESE OF ST. PETERSBURG, INC. AND AFFILIATES**

Notes to Combined Financial Statements

**(2) Land, Buildings and Equipment**

Land, buildings and equipment consisted of the following at June 30, 2010 and 2009:

	<b>2010</b>	<b>2009</b>
Land	\$ 2,378,761	2,234,139
Buildings and improvements	24,584,669	22,840,124
Leasehold improvements	56,568	59,922
Vehicles	279,465	303,152
Construction in progress	3,313,470	48,039
Furniture and equipment	1,136,244	1,142,646
	31,749,177	26,628,022
Less accumulated depreciation and amortization	(6,461,291)	(5,353,194)
	\$ 25,287,886	21,274,828

Depreciation expense for the years ended June 30, 2010 and 2009 was \$1,193,306 and \$918,148, respectively. The Organization capitalized interest of approximately \$0 and \$38,000 during fiscal years 2010 and 2009, respectively, related to the San Jose Mission and Mercy House construction projects (see note 3).

**(3) Long-Term Debt and Line of Credit**

Long-term debt consists of the following at June 30, 2010 and 2009:

	<b>2010</b>	<b>2009</b>
5.4% Industrial Revenue Bonds; interest only of \$11,250 due monthly through January 2003; then principal and interest payments of \$17,056 through January 2013; monthly principal payments thereafter ranging from \$9,951 to \$16,980, plus interest at LIBOR plus 2% through January 2023; secured by real property.	\$ 1,865,003	1,966,109
Mortgage note payable with graduated interest rate from 0% to 2%. Interest only payments due until 2043; Principal to be paid only upon disposition of property.	750,000	750,000

(Continued)

**CATHOLIC CHARITIES,  
DIOCESE OF ST. PETERSBURG, INC. AND AFFILIATES**

Notes to Combined Financial Statements

5% mortgage note payable, monthly principal and interest payments of \$2,147 due through May 2011, balloon payment of outstanding balance due June 2011. Secured by real property and cross collateralized.	\$ 359,453	366,660
6.5% note payable to a commercial bank with monthly principal payments of \$4,583, plus interest, from July 2007 through June 2009 increasing to \$6,066 from July 2009 through May 2012, with a final balloon payment due June 2012, guaranteed by the Diocese.	382,620	437,620
Non-interest bearing notes payable to Pasco County Development Corp.; principal payable upon sale of properties.	266,001	337,589
1% mortgage note payable to USDA; interest due monthly through November 2006; principal and interest due thereafter in annual installments of \$38,429 through 2039; secured by real property.	953,265	953,265
1% mortgage note payable to USDA; interest due monthly through September 2010; principal and interest due thereafter in annual installments of \$116,796 through 2040; secured by real property	3,100,000	3,100,000
Non-interest bearing promissory note payable to City of Largo in monthly installments of \$550 through June 2030; secured by real property	99,082	-
Non-interest bearing promissory note payable to Florida Housing Finance Corporation with balloon payment due August 2024; secured by real property.	1,651,069	-
Non-interest bearing promissory note payable to the City of Tampa with a balloon payment due April 2040; secured by real property	1,732,500	-
3.5% promissory note payable to the Diocese in monthly installments of \$5,000 plus interest; unsecured.	243,239	295,748

(Continued)

**CATHOLIC CHARITIES,  
DIOCESE OF ST. PETERSBURG, INC. AND AFFILIATES**

Notes to Combined Financial Statements

Non-interest bearing note payable to the Diocese at a future date to be determined; unsecured.	\$ 150,000	-
Non-interest bearing promissory notes payable to Hillsborough County in annual installments of amounts ranging from \$14,286 to \$62,789 starting sixty months after completion of construction projects and for thirty-five years thereafter; secured by real property.	3,476,462	3,476,462
9% note payable in monthly installments of \$392, including interest, through April 2010, secured by a vehicle.	<u>-</u>	<u>3,379</u>
Total long-term debt	15,028,694	11,686,832
Less unamortized discounts	6,366,167	4,048,637
Less current installments	<u>955,684</u>	<u>700,724</u>
Long-term debt, net of unamortized discounts, excluding current installments	<u>\$ 7,706,843</u>	<u>6,937,471</u>

During 2002, the Organization issued an Industrial Revenue Bond (IRB) totaling \$2,500,000. Proceeds from this issuance repaid several outstanding loans and approximately \$1,050,000 was used to fund ongoing construction at San Jose Mission. The IRB bears interest at a rate of 5.4%. Under the IRB agreement, the Organization was required to pay interest only through January 2003. Principal and interest payments are then payable over 20 years. The IRB requires that the Organization maintain certain financial ratios. At June 30, 2010, the Organization was not in compliance with these financial covenants but obtained a waiver from the bank. Therefore, the noncompliance has had no effect on the terms or classification of the IRB.

In June 2001, the Organization contracted for a loan totaling \$750,000 to be used to fund existing construction projects, specifically San Jose Mission. Interest only payments are required throughout the forty year term of the loan and the interest rate escalates from 0% to 2%. The outstanding principal balance, net of the unamortized discount, was \$260,774 at June 30, 2010 and 2009.

(Continued)

**CATHOLIC CHARITIES,  
DIOCESE OF ST. PETERSBURG, INC. AND AFFILIATES**

Notes to Combined Financial Statements

During fiscal year 2010, the Organization received financing under three non-interest bearing loans from governmental entities to fund the construction of Pinellas Hope II. The Organization also received financing from the City of Tampa Neighborhood Stabilization Program to fund renovations at Riviera Apartments. The notes are secured by mortgages on the underlying property. All of these loans are non-interest bearing and in certain cases a portion of the original note is forgiven if the properties are operated for a minimum period of time. The Organization recognized temporarily restricted contributions for the difference between the face amount of each note and the fair market value of each note using discount rates ranging from 4.91% to 4.74% (representing a market rate of interest) totaling \$2,352,657 and recognized temporarily restricted contributions for the portion of the original loan which is forgiven if the property is operated for a minimum period of time totaling \$1,284,150 as follows:

	Original Loan	Discount to net present value	Portion of loan forgiven
Pinellas Hope II:			
City of Largo CDBG loan	\$ 99,082	43,629	-
Florida Housing Finance Corp	2,201,400	1,254,477	550,350
Pinellas County	733,800	-	733,800
Riviera Apartments:			
City of Tampa	1,732,500	1,054,551	-
	\$ 4,766,782	2,352,657	1,284,150

During fiscal year 2009, the Organization received financing under three non-interest bearing loans from Hillsborough County, Florida to fund the construction of additional units at San Jose Mission. The notes are secured by a mortgage on the newly constructed units. The Organization also received additional financing from USDA to fund on-going construction of residential units at San Jose Mission. The loans from USDA bear interest at 1%.

(Continued)



**CATHOLIC CHARITIES,  
DIOCESE OF ST. PETERSBURG, INC. AND AFFILIATES**

Notes to Combined Financial Statements

For the year ended June 30, 2009, the Organization recognized temporarily restricted contributions for the difference between the face amount of each note and the fair market value of each note using a discount rate of 4.69% (representing a market rate of interest) totaling \$3,559,411 as follows:

	Original Loan	Discount to net present value
Hillsborough County:		
SHIP loan	\$ 500,000	289,582
HOME loan	2,427,168	1,466,473
87CDBG loan	549,294	317,950
USDA:		
Phase II	953,265	338,309
Phase III	3,100,000	1,147,097
	\$ 7,529,727	3,559,411

During fiscal year 2001, the Organization entered into an agreement with Florida Community Loan Fund (FCLF) which allowed them to borrow up to a maximum of \$400,000 to be used to fund ongoing construction of San Jose Mission, Phase I. The note required interest only payments during the construction phase, which ended in July of 2005. Currently, monthly principal and interest payments of \$2,147 are payable over a period of ten years. A balloon payment representing the outstanding balance will be due and payable in June 2011.

The Organization borrows funds from various lenders to purchase and rehabilitate properties which are held for sale. The loans are interest free and become payable when the property is sold. The outstanding balance on these loans at June 30, 2010 and 2009 was \$266,001 and \$337,589, respectively.

The Organization has a revolving line of credit with a commercial bank that allows the Organization to borrow up to \$300,000 at the one month LIBOR plus 1.67%. The line is secured by the depository and investment accounts held at the commercial bank and is guaranteed by the Diocese. The line matured on August 13, 2010 and was renewed through August 12, 2011. Amounts borrowed under the renewed line of credit will accrue interest at one month LIBOR plus 1.92%. The outstanding balance on the line of credit was \$5,720 at June 30, 2010.

The line requires that the Organization maintain certain financial ratios and limits certain activities of the Organization. The Organization was in compliance with these covenants at June 30, 2010 and 2009, respectively.

(Continued)

**CATHOLIC CHARITIES,  
DIOCESE OF ST. PETERSBURG, INC. AND AFFILIATES**

Notes to Combined Financial Statements

The aggregate maturities of long-term debt (before discounts) for each of the five years subsequent to June 30, 2010 and thereafter are as follows:

<u>Year ending June 30:</u>	
2011	\$ 955,684
2012	624,790
2013	297,125
2014	397,668
2015	349,033
Thereafter	<u>12,404,394</u>
	\$ <u>15,028,694</u>

**(4) Related Party Transactions**

The Organization had cash deposits of \$576,963 and \$309,542 at June 30, 2010 and 2009, respectively, with the Diocese and the Diocese provided support of \$972,000 and \$927,000 to the Organization for the years ended June 30, 2010 and 2009, respectively.

The Organization obtains all of its insurance coverage through pooled self-insurance funds of the Diocese. Insurance premiums paid to the Diocese were \$893,930 and \$802,357 for the years ended June 30, 2010 and 2009, respectively. Included in accounts payable are amounts due to the Diocese of approximately \$158,000 and \$152,000 at June 30, 2010 and 2009, respectively.

During fiscal 2009, the Diocese paid \$110,000 to a local government on behalf of the Organization. The \$110,000 will be refunded upon satisfactory completion of the demolition of the San Jose Mission sewage treatment facility which was expected to occur in fiscal 2010. The \$110,000 is included in other receivables and accrued liabilities in the accompanying statement of financial position.

**(5) Leases**

The Organization leases office space, vehicles and certain office equipment under noncancellable operating lease agreements. The lease agreements for office space provide for fixed monthly payments adjusted periodically for changes in the Consumer Price Index. Rent expense under operating leases was approximately \$244,000 for the years ended June 30, 2010 and 2009, respectively.

Effective October 1, 2009, the Organization entered into a twenty-five year lease agreement for a residential facility, however, the lease allows the Organization to cancel the remaining lease term with sixty days notice if the Organization is unable to secure funding to cover the operating costs of the facility. Rent expense under this lease was approximately \$279,000 and \$209,000 for the years ended June 30, 2010 and 2009, respectively.

(Continued)

**CATHOLIC CHARITIES,  
DIOCESE OF ST. PETERSBURG, INC. AND AFFILIATES**

Notes to Combined Financial Statements

Future minimum lease payments under noncancellable operating leases (with initial or remaining lease terms in excess of one year) as of June 30, 2010 are as follows:

<u>Year ending June 30:</u>	
2011	\$ 126,513
2012	83,285
2013	32,904
2014	<u>11,754</u>
	<u>\$ 254,456</u>

**(6) Pension Plan**

The Organization is a participant in a noncontributory, multiemployer, defined benefit pension plan. The Diocese is one of the sponsors of this plan. The plan covers substantially all Organization employees. The Organization's policy is to make annual contributions to the plan equal to net periodic pension cost which includes amortization of past service cost over fifteen to thirty years. The Organization's total pension expense was \$238,265 and \$201,554 for the years ended June 30, 2010 and 2009, respectively. Information concerning vested benefits and plan assets is not available with respect to an individual participating entity as the plan is administered and evaluated only on an aggregate basis. In the aggregate, the actuarial present value of accumulated plan benefits exceeded the net assets available for plan benefits at June 30, 2010. The Organization could, under certain circumstances, be liable for some portion of the unfunded vested benefits or other expenses of the plan.

Effective July 1, 2009, the Diocese withdrew from the plan described above via a "Spin-Off Agreement". A new plan was subsequently formed by the Diocese which maintains the same benefits as the previous plan.

**(7) Funding and Credit Concentrations**

The Organization receives the majority of its support and revenue from federal, state and local government agencies in the form of performance and expense reimbursement contracts. Continuation of the Organization's program services is greatly dependent upon the continued support of these agencies. The Organization's receivables at June 30, 2010 and 2009 are primarily due from the aforementioned governmental agencies.

The Organization maintains demand deposit accounts with various financial institutions. Deposits held at these institutions exceeded Federal insurance limits at June 30, 2010 by approximately \$9,500. Approximately \$566,000 held on deposit with the Diocese was not covered by Federal deposit insurance. (see note 4).

(Continued)

**CATHOLIC CHARITIES,  
DIOCESE OF ST. PETERSBURG, INC. AND AFFILIATES**

Notes to Combined Financial Statements

**(8) Charitable Remainder Unitrust**

The Organization has been named the remainder beneficiary in a charitable remainder unitrust. The trust instrument requires payments to the donor at a set percentage of the fair market value of the trust asset as of the beginning of each year until the death of the last surviving donor. Upon the death of the last surviving donor the Organization will receive a portion of the remaining principal in the trust. The receivable from the trust is stated at the actuarial present value of the estimated future benefits to be received when the assets of the trust are distributed, using a discount rate of 7%. The receivable will be adjusted in future periods to reflect accretion of the original discount.

**(9) Funds Held by Community Foundation**

In fiscal 2003, the Organization established an account at the Community Foundation of Tampa Bay (Foundation) with a payment of \$10,000. An additional payment of \$5,000 was made during fiscal 2004. These payments are considered an asset (beneficial interest in assets held by others) of the Organization and are included in the accompanying statement of financial position. Earnings on the fund are earmarked to be distributed to the Organization on a periodic basis. The Foundation has been granted variance power over the fund which provides the Foundation the unilateral power to redirect the use of the funds to other beneficiaries. Because the Foundation has been granted variance power, funds contributed by donors to the Foundation on behalf of the Organization are not considered to be an asset.

**(10) Temporary and Permanent Restrictions on Net Assets**

Temporarily restricted net assets are available for the following purposes or periods:

	2010	2009
Contributions restricted for program activities	\$ 111,889	130,306
Capital expenditures	227,960	217,321
Facilities subject to time restrictions	7,966,033	7,169,207
Charitable remainder unitrust	70,550	68,664
United Way funding for future periods	102,930	67,738
Unamortized discounts on below market loans	6,366,167	4,048,637
	\$ 14,845,529	11,701,873

Permanently restricted net assets of \$97,563 at June 30, 2010 and 2009 relate to an endowment. Original endowment contributions of \$26,809 were received in 1998, and additional endowment contributions of \$70,754 were received in fiscal 2005. The endowment is to be held in perpetuity. Earnings on the endowment are available for unrestricted use.

(Continued)

**CATHOLIC CHARITIES,  
DIOCESE OF ST. PETERSBURG, INC. AND AFFILIATES**

Notes to Combined Financial Statements

**(11) In-Kind Revenue and Expense**

Certain services and rent are provided to the Organization gratis or at a cost substantially less than fair market value. The difference between the actual charge and the estimated fair market value is reflected in the accompanying combined financial statements as in-kind revenue and expense. In-kind revenue and in-kind expense consist of the following for the years ended June 30, 2010 and 2009:

	2010	2009
Services	\$ 27,359	65,912
Mileage, goods and clothing	86,331	29,105
Pregnancy and Parenting Support supplies	117,116	156,780
Pinellas Hope supplies	546,875	518,228
Land and office space	96,000	97,500
	\$ 873,681	867,525

Other volunteers have donated significant amounts of time to the Organization's programs, including elderly services, pregnancy support services, San Jose Mission and Pinellas Hope. Management estimates the fair value of those services, representing approximately 11,500 volunteer hours, to be approximately \$331,000 for the year ended June 30, 2010. For the year ended June 30, 2009, management estimated the fair value of 21,600 donated volunteer hours to be approximately \$340,000. These amounts are not reflected in the combined financial statements because the contributed services do not meet the criteria for recognition under U.S. generally accepted accounting principles.

**(12) Supplemental Disclosure of Cash Flow Information**

For the years ended June 30, 2010 and 2009, the Organization's cash payments for interest were \$251,918 and \$192,088 respectively.

During fiscal 2010 and 2009, the Organization sold properties held for sale with a cost of \$114,726 and \$254,051, respectively. These properties were sold to low income buyers as part of a federal program and the associated mortgages of \$114,726 and \$254,051, respectively, were satisfied as part of the sale. The Organization received cash payments of \$5,000 from the sale of each property as its fee for finding a buyer.

During fiscal 2010 and 2009, the Organization purchased properties held for sale in the amount of \$45,054 and \$242,000, respectively. These purchases were fully financed by mortgages.

(Continued)

**CATHOLIC CHARITIES,  
DIOCESE OF ST. PETERSBURG, INC. AND AFFILIATES**

Notes to Combined Financial Statements

**(13) Fair Value Measurements**

Financial instruments measured at fair value are classified and disclosed in the following categories:

Level 1 - Quoted prices are available in active markets for identical investments as of the reporting date. The types of investments included in Level 1 are money market mutual funds and corporate stock.

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. The fair value of the Organization's beneficial interest in the Community Foundation of Tampa Bay (Community Foundation) is based on valuation information provided by the Community Foundation which is primarily derived from or corroborated by observable market data as it relates to the Community Foundation's underlying investments.

Level 3 - Valuation is based on unobservable inputs. The Organization's beneficial interest in charitable remainder trusts is considered a financial asset subject to the valuation hierarchy and has been classified as level 3 since observable inputs are minimal.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, a financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Fair value of assets measured on a recurring basis at June 30, 2010 and 2009 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>2010:</b>				
Common stock	\$ 30,171	30,171	-	-
Money market mutual fund	296,441	296,441	-	-
Charitable remainder unitrust	70,550	-	-	70,550
Community Foundation	20,242	-	20,242	-
	<u>\$ 417,404</u>	<u>326,612</u>	<u>20,242</u>	<u>70,550</u>
<b>2009:</b>				
Common stock	\$ 19,210	19,210	-	-
Money market mutual fund	296,441	296,441	-	-
Charitable remainder unitrust	68,664	-	-	68,664
Community Foundation	18,340	-	18,340	-
	<u>\$ 402,655</u>	<u>315,651</u>	<u>18,340</u>	<u>68,664</u>

(Continued)

**CATHOLIC CHARITIES,  
DIOCESE OF ST. PETERSBURG, INC. AND AFFILIATES**

Notes to Combined Financial Statements

The following table sets forth a summary of changes in fair value of assets using significant unobservable inputs (Level 3) for the years ended June 30, 2010 and 2009:

	<u>Charitable Remainder Unitrust</u>
Balance, June 30, 2008	\$ 110,136
Change in fair value due to change in available market data and certain assumptions	<u>(41,472)</u>
Balance, June 30, 2009	68,664
Change in fair value due to change in available market data and certain assumptions	<u>1,886</u>
Balance, June 30, 2010	\$ <u><u>70,550</u></u>

(14) **Subsequent Events**

For purposes of disclosure, the Organization evaluated events occurring between the end of its most recent fiscal year (June 30, 2010) and December 8, 2010, the date the financial statements were available for issuance.

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**SUPPLEMENTARY FINANCIAL INFORMATION**



**CATHOLIC CHARITIES,  
DIOCESE OF ST. PETERSBURG, INC. AND AFFILIATES**

Schedule of Expenditures of Federal Awards and State Financial Assistance

Year ended June 30, 2010

(Page 1 of 4)

Federal / State Agency Pass-through Entity Federal / State Program	CFDA / CSFA Number	Contract/ Grant Number	Expenditures	Transfers To Subrecipients
<i>U.S. Department of Agriculture</i>				
Farm Labor Housing Loans and Grants	10.405	Loan 001	\$ 656,529	-
		Loan 003	296,736	-
		Loan 005	2,500,000	-
		Loan 007	600,000	-
Subtotal - U.S. Department of Agriculture			4,053,265	-
<i>U.S. Department of Health and Human Services</i>				
Passed-through from State of Florida Department of Children and Families:				
Social Services Block Grant Program				
2005 Gulf Coast Hurricanes	93.667	QFZ01	106,349	-
Refugee and Entrant Assistance - Discretionary Grants	93.576	90RG0084	20,293	-
Refugee and Entrant Assistance - Discretionary Grants	93.576	90Z10073	117,453	-
Refugee and Entrant Assistance - State Administered Programs	93.566	LK878	407,609	-
			651,704	-
Passed-through from United States Conference of Catholic Bishops:				
Refugee and Entrant Assistance - Voluntary Agency Programs	93.567	90RV0049	158,547	-
			158,547	-
Passed-through from Hillsborough County, Florida:				
HIV Emergency Relief Project Grants	93.915	10-0136	55,787	-
		09-0149	130,066	-
			185,853	-
Passed-through from Gulfcoast Jewish Family Services, Inc.:				
Assistance to Torture Victims	93.604	N/A	50,000	-
			50,000	-
Passed-through from Florida Coalition Against Human Trafficking:				
Services to Victims of A Severe Forms of Trafficking	93.598	N/A	3,000	-
			3,000	-
Passed-through from the Pregnancy Center of Plant City:				
Community-Based Abstinence Education Program	93.010	90AE000233	36,639	-
			36,639	-
Subtotal - U.S. Department of Health and Human Services			1,085,743	-
<i>U.S. Department of Justice</i>				
Education and Enforcement of Antidiscrimination Provision of the Immigration and Nationality Act.	16.110	2010-D6-BX-0004	12,621	-
			12,621	-
Subtotal - U.S. Department of Justice			12,621	-

**CATHOLIC CHARITIES,  
DIOCESE OF ST. PETERSBURG, INC. AND AFFILIATES**

Schedule of Expenditures of Federal Awards and State Financial Assistance

Year ended June 30, 2010

(Page 2 of 4)

Federal / State Agency Pass-through Entity Federal / State Program	CFDA / CSFA Number	Contract/ Grant Number	Expenditures	Transfers To Subrecipients
<i>U.S. Department of Homeland Security</i>				
Passed-through from United States Conference of Catholic Bishops:				
Cuban/Haitian Entrant Program	97.009	N/A	\$ 27,025	-
		N/A	402,096	-
			<u>429,121</u>	<u>-</u>
Passed-through from United Way of Tampa Bay				
Emergency Food and Shelter National Board Program				
American Recovery and Reinvestment Act	97.024	169400-029	28,517	-
			<u>28,517</u>	<u>-</u>
Subtotal - U.S. Department of Homeland Security			<u>457,638</u>	<u>-</u>
<i>U.S. Department of Housing and Urban Development</i>				
Supportive Housing Program	14.235	FL0163B4H190802	118,823	
		FL29B619002	35,196	-
			<u>154,019</u>	<u>-</u>
Passed-through from the City of Tampa, Florida:				
Housing Opportunities for Persons with AIDS	14.241	POBC10700012	482,797	-
		POBC09700012	137,882	-
		POBC10700011	263,757	-
		POBC09700013	81,310	-
		POBC10700010	108,176	-
		POBC09700014	39,214	-
			<u>1,113,136</u>	<u>-</u>
Passed-through from the Hillsborough County, Florida:				
Community Development Block Grant/Entitlement Grants	14.218	09-1098	56,424	-
Community Development Block Grant/Entitlement Grants	14.218	08-1423	11,238	
Community Development Block Grant Program	14.218	08-0612	549,294	-
HOME Investments Partnerships Program	14.239	08-0613	2,427,168	-
			<u>3,044,124</u>	<u>-</u>
Passed-through from Pasco County Board of County Commissioners:				
Home Investment Partnership Program - Pasco Opportunity Program (POP)	14.218	N/A	2,522	-
	14.239	N/A	140,632	
	14.239	N/A	125,368	-
			<u>268,522</u>	<u>-</u>
Passed-through from Catholic Charities USA:				
Housing Counseling Assistance Program	14.169	HC09-0011-001	25,000	
		HC08-0000-002	6,760	-
			<u>31,760</u>	<u>-</u>

**CATHOLIC CHARITIES,  
DIOCESE OF ST. PETERSBURG, INC. AND AFFILIATES**

Schedule of Expenditures of Federal Awards and State Financial Assistance

Year ended June 30, 2010

(Page 3 of 4)

Federal / State Agency Pass-through Entity Federal / State Program	CFDA / CSFA Number	Contract/ Grant Number	Expenditures	Transfers To Subrecipients
Passed-through from City of St. Petersburg, Florida: Homelessness Prevention and Rapid Re-housing Grant American Recovery and Reinvestment Act	14.257	S-09-MY-12-0009	\$ 29,987 <u>29,987</u>	- <u>-</u>
Passed-through from City of Largo, Florida: Community Development Block Grant Program Community Housing trust Fund	14.218	N/A	99,082 <u>99,082</u>	- <u>-</u>
Passed-through from City of St. Petersburg, Florida: St. Petersburg Housing Authority Section 3 Program American Recovery and Reinvestment Act	14.885	09-018	24,792 <u>24,792</u>	- <u>-</u>
Passed-through from City of Tampa, Florida: Neighborhood Stabilization program	14.218	N/A	1,732,500 <u>1,732,500</u>	- <u>-</u>
Passed-through from State of Florida Department of Children and Families: Federal Emergency Shelter Grants Program Pinellas Hope	14.231	QFZ01	49,793 <u>49,793</u>	- <u>-</u>
Subtotal - U.S. Department of Housing and Urban Development			<u>6,547,715</u>	-
<i>U.S. Department of the Treasury</i>				
Passed-through from Catholic Charities USA: National Foreclosure Mitigation Counseling Program	21.000	PL110-161-95X1350	132,243 <u>132,243</u>	- <u>-</u>
Subtotal - U.S. Department of the Treasury			<u>132,243</u>	-
<i>U.S. Department of State</i>				
Passed-through from United States Conference of Catholic Bishops: U.S. Refugee Admissions Program	19.510	N/A	209,528 <u>209,528</u>	- <u>-</u>
Subtotal - U.S. Department of State			<u>209,528</u>	-
Total Federal Expenditures			<u>\$ 12,498,753</u>	<u>-</u>

**CATHOLIC CHARITIES,  
DIOCESE OF ST. PETERSBURG, INC. AND AFFILIATES**

Schedule of Expenditures of Federal Awards and State Financial Assistance

Year ended June 30, 2010

(Page 4 of 4)

Federal / State Agency Pass-through Entity Federal / State Program	CFDA / CSFA Number	Contract/ Grant Number	Expenditures	Transfers To Subrecipients
<i>State of Florida Department of Elder Affairs</i>				
Passed-through from Mid Florida Community Services, Inc.:				
Local Services Program	65.009	N/A	\$ 17,535	-
			<u>17,535</u>	<u>-</u>
Subtotal - State of Florida Department of Elder Affairs			<u>17,535</u>	<u>-</u>
<i>State of Florida Department of Health</i>				
Passed-through Gulfcoast North AHEC:				
Area Health Education Center Network	64.009	6101-1017-00-A	7,000	-
			<u>7,000</u>	<u>-</u>
Passed-through Florida Pregnancy Care Network, Inc.:				
Pregnancy Support Services Program	64.080	N/A	52,413	-
			<u>52,413</u>	<u>-</u>
Subtotal - State of Florida Department of Health			<u>59,413</u>	<u>-</u>
<i>State of Florida Housing Finance Corporation</i>				
Passed through Hillsborough County, Florida:				
State Housing Initiatives Partnership Program	52.901	02-0724	500,000	-
		08-0611	750,000	-
			<u>1,250,000</u>	<u>-</u>
Subtotal - State of Florida Housing Finance Corporation			<u>1,250,000</u>	<u>-</u>
Passed-through from Pasco County Board of County Commissioners:				
Home Investment Partnership Program - Pasco Opportunity Program (POP)	52.901	N/A	665	-
			<u>665</u>	<u>-</u>
Total State Financial Assistance			<u>\$ 1,327,613</u>	<u>-</u>

See accompanying notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

**CATHOLIC CHARITIES,  
DIOCESE OF ST. PETERSBURG, INC. AND AFFILIATES**

Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

Year ended June 30, 2010

**(1) General**

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance presents the activity of all federal and state awards programs of Catholic Charities, Diocese of St. Petersburg, Inc. and Affiliates. All federal and state awards passed through other entities are included in the accompanying schedule.

**(2) Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.650, *Rules of the Auditor General*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance presents federal expenditures by pass-through agency. Expenditures of certain federal programs were awarded to Catholic Charities, Diocese of St. Petersburg, Inc. and Affiliates by more than one grantor or pass-through agency. The following schedule summarizes expenditures by federal program as follows:

<b>CFDA No.</b>	<b>Grantor/Pass-Through Grantor</b>	<b>Federal Expenditures</b>
14.239	Hillsborough County, Florida	\$ 2,427,168
	Pasco County, Florida	<u>266,000</u>
		<u>\$ 2,693,168</u>
14.218	Hillsborough County, Florida	\$ 56,424
	Hillsborough County, Florida	11,238
	Hillsborough County, Florida	549,294
	Pasco County, Florida	2,522
	City of Largo, Florida	99,082
	City of Tampa, Florida	<u>1,732,500</u>
		<u>\$ 2,451,060</u>

**CATHOLIC CHARITIES,  
DIOCESE OF ST. PETERSBURG, INC. AND AFFILIATES**

Schedule of Revenues and Expenses for Programs Funded by the  
Children's Board of Hillsborough County

Year ended June 30, 2010

	<b>Family Outreach and Support</b>	<b>REACH</b>	<b>Total CBHC Programs</b>
<b>Revenues:</b>			
Diocesan Support	\$ -	51,312	51,312
Hillsborough County CDBG	-	67,661	67,661
Children's Board of Hillsborough County	215,757	579,561	795,318
YMCA Parents as Partners	-	117,690	117,690
Kinship Care	-	50,000	50,000
United Way of Tampa Bay	16,503	5,567	22,070
Program Fees	43	2,245	2,288
Contributions and bequests	1,525	2,248	3,773
Other	-	4,314	4,314
	<u>233,828</u>	<u>880,598</u>	<u>1,114,426</u>
<b>Expenses:</b>			
Salaries and wages	134,203	347,455	481,658
Employee benefits and payroll taxes	45,034	136,753	181,787
Contractor expenses	670	60,438	61,108
Professional fees	1,935	488	2,423
Travel expenses	6,611	17,655	24,266
Occupancy	3,434	90,755	94,189
Communications	3,381	11,898	15,279
Operating supplies	4,113	29,072	33,185
Printing and publications	158	401	559
Equipment	1,927	16,393	18,320
Computer expenses	1,326	18,327	19,653
Insurance	593	1,792	2,385
Dues, memberships and subscriptions	20	744	764
Assistance to individuals	4,400	6,183	10,583
Interest	463	3,193	3,656
Other	173	693	866
Total direct expenses	<u>208,441</u>	<u>742,240</u>	<u>950,681</u>
Allocation of general and administrative	<u>29,672</u>	<u>107,084</u>	<u>136,756</u>
Total expenses before depreciation and amortization	238,113	849,324	1,087,437
Depreciation and amortization	5,645	30,391	36,036
Total expenses	<u>243,758</u>	<u>879,715</u>	<u>1,123,473</u>
Program net income (loss)	<u>\$ (9,930)</u>	<u>883</u>	<u>(9,047)</u>

**CATHOLIC CHARITIES,  
DIOCESE OF ST. PETERSBURG, INC. AND AFFILIATES**

Combining Schedule of Financial Position

June 30, 2010

<u>Assets</u>	<u>Catholic Charities, Diocese of St. Petersburg, Inc.</u>	<u>Catholic Charities Housing, Inc.</u>	<u>Catholic Charities Foundation of Tampa Bay, Inc.</u>	<u>Catholic Charities Community Development Corporation</u>	<u>Eliminations</u>	<u>Combined Total</u>
Current assets:						
Cash (including \$153,572 of restricted cash)	\$ 646,870	176,447	-	239,290	-	1,062,607
Receivables:						
Grants and contracts	926,741	-	-	50,007	-	976,748
Client service fees	52,840	23,010	-	15,572	-	91,422
Contributions	102,930	-	-	-	-	102,930
Other	74,552	110,327	-	118,430	(38,328)	264,981
Affiliates	-	861,164	-	527,260	(1,388,424)	-
Properties held for sale	267,917	-	-	-	-	267,917
Prepaid expenses and other current assets	39,748	514	-	12,638	-	52,900
<b>Total current assets</b>	<b>2,111,598</b>	<b>1,171,462</b>	<b>-</b>	<b>963,197</b>	<b>(1,426,752)</b>	<b>2,819,505</b>
Investment in common stock, at fair value	30,171	-	-	-	-	30,171
Cash restricted for long-term investment by donor	26,759	-	-	-	-	26,759
Investments restricted for long-term purposes under bond indenture	-	296,441	-	-	-	296,441
Beneficial interest in assets held by others	20,242	-	-	-	-	20,242
Advances to affiliates	110,000	-	-	-	(110,000)	-
Land, buildings and equipment, net	4,811,901	20,413,883	-	62,102	-	25,287,886
Receivable from remainder trust	70,550	-	-	-	-	70,550
Other assets	18,138	57,497	-	-	-	75,635
	<u>\$ 7,199,359</u>	<u>21,939,283</u>	<u>-</u>	<u>1,025,299</u>	<u>(1,536,752)</u>	<u>28,627,189</u>

**Liabilities and Net Assets (Deficit)**

Current liabilities:						
Bank overdraft	\$	49,264	-	-	-	49,264
Line of credit		5,720	-	-	-	5,720
Current installments of long-term debt		313,559	642,125	-	-	955,684
Accounts payable - trade		568,195	14,265	-	36,406	580,538
Accounts payable - construction		342,180	-	-	-	342,180
Accrued expenses		389,147	223,870	-	13,437	626,454
Due to affiliates		1,093,003	-	295,421	-	-
Deferred revenue		12,145	45,255	-	34,411	91,811
		<u>2,773,213</u>	<u>925,515</u>	<u>295,421</u>	<u>84,254</u>	<u>2,651,651</u>
					<u>(1,426,752)</u>	
Total current liabilities						
Advance from United States Conference of Catholic Bishops		23,500	-	-	-	23,500
Advances to affiliates		-	110,000	-	-	-
Long-term debt, excluding current installments		904,510	6,652,333	-	150,000	7,706,843
		<u>3,701,223</u>	<u>7,687,848</u>	<u>295,421</u>	<u>234,254</u>	<u>10,381,994</u>
					<u>(1,536,752)</u>	
Total liabilities						
Net assets (deficit):						
Unrestricted:						
Undesignated		(441,767)	2,970,544	(295,421)	772,306	3,005,662
Designated for long-term investment under bond indenture		-	296,441	-	-	296,441
Temporarily restricted		3,842,340	10,984,450	-	18,739	14,845,529
Permanently restricted		97,563	-	-	-	97,563
		<u>3,498,136</u>	<u>14,251,435</u>	<u>(295,421)</u>	<u>791,045</u>	<u>18,245,195</u>
					<u>-</u>	
Total net assets (deficit)						
	\$	<u>7,199,359</u>	<u>21,939,283</u>	<u>-</u>	<u>1,025,299</u>	<u>28,627,189</u>
					<u>(1,536,752)</u>	



**CATHOLIC CHARITIES,  
DIOCESE OF ST. PETERSBURG, INC. AND AFFILIATES**

Combining Schedule of Unrestricted Support and Revenue, Expenses  
and Other Changes in Unrestricted Net Assets

Year ended June 30, 2010

	<u>Catholic Charities, Diocese of St. Petersburg, Inc.</u>	<u>Catholic Charities Housing, Inc.</u>	<u>Catholic Charities Foundation of Tampa Bay, Inc.</u>	<u>Catholic Charities Community Development Corporation</u>	<u>Eliminations</u>	<u>Combined Total</u>
<b>Operating Support and revenue:</b>						
<i>Public support:</i>						
Special events revenue	\$ 151,079	-	-	-	-	151,079
Less special event expenses	<u>(27,296)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(27,296)</u>
Net revenue from special events	<u>123,783</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>123,783</u>
Diocesan subsidy	972,000	-	-	-	-	972,000
Contributions and bequests	631,856	-	-	37,907	-	669,763
In-kind contributions	873,681	-	-	-	-	873,681
United Way allocations	<u>235,567</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>235,567</u>
	<u>2,713,104</u>	<u>-</u>	<u>-</u>	<u>37,907</u>	<u>-</u>	<u>2,751,011</u>
<i>Revenue:</i>						
Client service fees	469,795	-	-	-	-	469,795
Reimbursement of direct and indirect costs of providing program services by government and other agencies	5,619,152	-	-	113,915	-	5,733,067
Interest income	8,518	6	-	23	-	8,547
Rental income	150,937	566,823	-	808,083	-	1,525,843
Management fee income	-	-	-	344,484	(101,851)	242,633
Other	<u>86,545</u>	<u>13,825</u>	<u>-</u>	<u>39,408</u>	<u>(34,940)</u>	<u>104,838</u>
	<u>6,334,947</u>	<u>580,654</u>	<u>-</u>	<u>1,305,913</u>	<u>(136,791)</u>	<u>8,084,723</u>
<i>Net assets released from restrictions:</i>						
Expiration of time restrictions on capital assets	79,405	402,280	-	5,620	-	487,305
Expiration of other time restrictions	67,738	35,126	-	-	-	102,864
Satisfaction of donor use restrictions	<u>317,244</u>	<u>16,489</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>333,733</u>
	<u>464,387</u>	<u>453,895</u>	<u>-</u>	<u>5,620</u>	<u>-</u>	<u>923,902</u>
Total operating support and revenue	<u>9,636,221</u>	<u>1,034,549</u>	<u>-</u>	<u>1,349,440</u>	<u>(136,791)</u>	<u>11,883,419</u>

<b>Operating Expenses:</b>						
Program services	8,358,091	989,881	-	1,292,404	(101,851)	10,538,525
Supporting services	<u>1,254,481</u>	<u>3,033</u>	<u>-</u>	<u>31,907</u>	<u>(34,940)</u>	<u>1,254,481</u>
Total operating expenses	<u>9,612,572</u>	<u>992,914</u>	<u>-</u>	<u>1,324,311</u>	<u>(136,791)</u>	<u>11,793,006</u>
Increase in net assets from operations	23,649	41,635	-	25,129	-	90,413
<b>Other changes:</b>						
Net unrealized gain on investment in common stock	10,961	-	-	-	-	10,961
Gain (loss) on disposal of property and equipment	(16,332)	66,000	-	-	-	49,668
Settlement income - San Jose Mission	375,000	-	-	-	-	375,000
Litigation expenses - San Jose Mission	(45,753)	-	-	-	-	(45,753)
Donated properties and vehicles	-	-	-	-	-	-
Net assets released from restriction - satisfaction of capital expenditure restrictions	<u>2,846</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,846</u>
Increase in unrestricted net assets	350,371	107,635	-	25,129	-	483,135
Unrestricted net assets (deficit) at beginning of year	<u>(792,138)</u>	<u>3,159,350</u>	<u>(295,421)</u>	<u>747,177</u>	<u>-</u>	<u>2,818,968</u>
Unrestricted net assets (deficit) at end of year	<u><u>\$ (441,767)</u></u>	<u><u>3,266,985</u></u>	<u><u>(295,421)</u></u>	<u><u>772,306</u></u>	<u><u>-</u></u>	<u><u>3,302,103</u></u>

**INTERNAL CONTROL AND COMPLIANCE**

*Members:*

Douglas R. Birch, CPA\*  
Craig A. Gilman, CPA\*  
Betty Isler, CPA\*  
Michael D. Kindt, CPA\*/PFS, CFP®  
Michael E. Lewis, CPA\*/ABV/CFF, CVA  
Tracey McDonald, CPA\*  
Kathy Mills, CPA\*/ABV/CFF, CVA  
Anthony S. Phillips, CPA\*/ABV/CFF  
Ronald M. Ricardo, CPA\*



**CLEARWATER**  
1401 Court Street  
Clearwater, Florida 33756  
(727) 446-3058 • FAX (727) 441-1499

**TAMPA**  
1530 W. Cleveland Street  
Tampa, Florida 33606  
(813) 594-1400 • FAX (813) 594-1408

**SARASOTA**  
1990 Main Street, Suite 750  
Sarasota, Florida 34236  
(941) 373-0555 • FAX (941) 309-5149

www.lbrllc.com

**Independent Auditors' Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Combined  
Financial Statements Performed in Accordance with Government Auditing Standards**

The Board of Trustees  
Catholic Charities; Diocese of St. Petersburg, Inc. and Affiliates:

We have audited the combined financial statements of Catholic Charities, Diocese of St. Petersburg, Inc. and Affiliates as of and for the year ended June 30, 2010, and have issued our report thereon dated December 8, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

*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 misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs, that we consider to be significant deficiencies in internal control over financial reporting (items 2010-01; 2010-02 and 2010-03). 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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Catholic Charities, Diocese of St. Petersburg, Inc. and Affiliates's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of 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*.

This report is intended solely for the information and use of the board of directors, management, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Lewis, Bina & Ricardo, LLC*

Clearwater, Florida  
December 8, 2010

Members:

Douglas R. Birch, CPA\*  
Craig A. Gilman, CPA\*  
Betty Isler, CPA\*  
Michael D. Kindt, CPA\*/PFS, CFP®  
Michael E. Lewis, CPA\*/ABV/CFF, CVA  
Tracey McDonald, CPA\*  
Kathy Mills, CPA\*/ABV/CFF, CVA  
Anthony S. Phillips, CPA\*/ABV/CFF  
Ronald M. Ricardo, CPA\*



CLEARWATER  
1401 Court Street  
Clearwater, Florida 33756  
(727) 446-3058 • FAX (727) 441-1499

TAMPA  
1530 W. Cleveland Street  
Tampa, Florida 33606  
(813) 594-1400 • FAX (813) 594-1408

SARASOTA  
1990 Main Street, Suite 750  
Sarasota, Florida 34236  
(941) 373-0555 • FAX (941) 309-5149

www.lbrllc.com

**Independent Auditors' Report on Compliance With Requirements That  
Could Have A Direct and Material Effect on Each Major Program  
and State Project and on Internal Control Over Compliance in  
Accordance With OMB Circular A-133 and Chapter 10.650,  
Rules of the State of Florida Auditor General**

The Board of Trustees  
Catholic Charities, Diocese of St. Petersburg, Inc. and Affiliates:

**Compliance**

We have audited the compliance of Catholic Charities, Diocese of St. Petersburg, Inc. and Affiliates with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the requirements described in the Executive Office of the Governor's State Projects Compliance Supplement, that could have a direct and material effect on each of Catholic Charities, Diocese of St. Petersburg, Inc. and Affiliate's major federal programs and its state project for the year ended June 30, 2010. Catholic Charities, Diocese of St. Petersburg, Inc. and Affiliates's major federal programs and state project are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs and major state project is the responsibility of Catholic Charities, Diocese of St. Petersburg, Inc. and Affiliates' management. Our responsibility is to express an opinion on Catholic Charities, Diocese of St. Petersburg, Inc. and Affiliates' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.650, *Rules of the Auditor General*. Those standards, OMB Circular A-133, and Chapter 10.650, *Rules of the Auditor General* 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 or state project occurred. An audit includes examining, on a test basis, evidence about Catholic Charities, Diocese of St. Petersburg, Inc. and Affiliates' 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. Our audit does not provide a legal determination of Catholic Charities, Diocese of St. Petersburg, Inc. and Affiliates' compliance with those requirements.

In our opinion, Catholic Charities, Diocese of St. Petersburg, Inc. and Affiliates complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and its major state project for the year ended June 30, 2010.

## Internal Control Over Compliance

Management of Catholic Charities, Diocese of St. Petersburg, Inc. and Affiliates is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs and state projects. In planning and performing our audit, we considered Catholic Charities, Diocese of St. Petersburg, Inc. and Affiliates' internal control over compliance with requirements that could have a direct and material effect on a major federal program or state project to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.650, *Rules of the Auditor General*, 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 or state project 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 or state project will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of, management, the board of directors, others within the Organization, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Lewis, Birch & Ricardo, LLC*

Clearwater, Florida  
December 8, 2010

**CATHOLIC CHARITIES,  
DIOCESE OF ST. PETERSBURG, INC. AND AFFILIATES**

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

(Page 1 of 4)

**(A) Summary of Audit Results**

1. The auditors' report expresses an unqualified opinion on the combined financial statements of Catholic Charities, Diocese of St. Petersburg, Inc. and Affiliates.
2. Three significant deficiencies were disclosed during the audit of the combined financial statements and are reported in the Independent Auditors' Report on Internal Control and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. The significant deficiencies are not considered to be material weaknesses.
3. No instances of noncompliance material to the combined financial statements of Catholic Charities, Diocese of St. Petersburg, Inc. and Affiliates were disclosed during the audit.
4. No significant deficiencies were disclosed during the audit of major federal award programs and major state projects.
5. The auditors' report on compliance for the major federal programs and major state project for Catholic Charities, Diocese of St. Petersburg, Inc. and Affiliates expresses an unqualified opinion.
6. Audit findings relative to the major federal programs and state project for Catholic Charities, Diocese of St. Petersburg, Inc. and Affiliates are reported in Part C. and Part D. of this schedule.
7. The programs tested as major federal programs and state projects were:

Federal:

Farm Labor Housing Loans and Grants (CFDA No. 10.405)  
Community Development Block Grants (CFDA No. 14.218)  
HOME Investment Partnerships Program (CFDA No. 14.239)  
Housing Opportunities for Persons with Aids (CFDA No. 14.241)  
Refugee and Entrant Assistance (CFDA No. 93.566)  
Cuban/Haitian Entrant Program (CFDA 97.009)

State:

State Housing Initiatives Partnership Program (CSFA No. 52.901)



**CATHOLIC CHARITIES,  
DIOCESE OF ST. PETERSBURG, INC. AND AFFILIATES**

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

(Page 2 of 4)

8. The threshold for distinguishing Types A and B programs was \$374,963 for major federal programs and \$300,000 for major state projects.
9. Catholic Charities, Diocese of St. Petersburg, Inc. and Affiliates were not determined to be low-risk auditees.

**(B) Findings - Audit of Combined Financial Statements**

**Item 2010-01 *Accounts Payable Processing***

*Condition:* The Organization's internal control procedures over the processing of accounts payable and check disbursements were not followed consistently and the following exceptions were noted:

- Evidence of the approval to pay the invoice was not documented either on the invoice, the disbursement request form, or the check log for twenty-one disbursements tested out of our sample of sixty check disbursements.
- Invoices were not canceled upon payment.
- Three checks exceeding the payment threshold which requires two authorized signers were only signed by one authorized signer.
- Check numbers were not used sequentially and in certain instances we noted duplicate check numbers were used.
- We noted several checks prepared and dated in June 2010 which were not mailed until July or August 2010.

*Criteria:* Internal control procedures should be in place that provide reasonable assurance that all invoices are approved prior to payment, invoices are canceled upon payment, the appropriate number of authorized check signers have signed checks exceeding certain payment thresholds, check numbers are used sequentially and that checks are written when funds are available to release checks to vendors.

*Effect:* Check disbursements may be made for unapproved expenditures and internal financial statements are misstated for checks held at year-end.

*Recommendation:*

Internal controls over accounts payable and check disbursement processing should be re-evaluated to reduce the likelihood of these errors from recurring. Approval of invoices and check disbursements should be consistent and well documented. Check numbers should be accounted for to preclude the use of duplicate check numbers which unnecessarily complicate the bank reconciliation process. Checks should be prepared and signed only if sufficient funds are available and checks can be released to vendors.

**CATHOLIC CHARITIES,  
DIOCESE OF ST. PETERSBURG, INC. AND AFFILIATES**

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

(Page 3 of 4)

**Item 2010-02 *Payroll Processing***

*Condition:* In certain instances, the Organization's allocation of payroll costs did not agree with actual hours recorded on employee time sheets or pay rates used to calculate the payroll allocation did not agree with pay rate documentation in employee files.

*Criteria:* Payroll costs charged to the program should be based on an after the fact determination of actual hours worked and an employee's actual pay rate in effect for the corresponding payroll period.

*Effect:* Payroll costs were allocated incorrectly for certain employees.

*Recommendation:*

Internal control procedures should be in place to provide reasonable assurance that payroll costs are allocated based on the actual time spent by personnel in each activity and that the amount of payroll allocated is based on actual payroll rates.

**Item 2010-03 *Review of Eligibility Determinations***

*Condition:* The Organization does not document supervisory review and approval of eligibility determinations in client files.

*Criteria:* Supervisory review and approval of client eligibility determinations is a key element of an effective internal control system over compliance with the Organization's grants and contracts which include eligibility criteria.

*Effect:* Assistance may be provided to an ineligible client.

*Recommendation:*

Internal control procedures should be in place to provide reasonable assurance that eligibility determinations are reviewed and approved by a supervisor prior to providing services to clients. Recertification of eligibility requirements should also be reviewed and approved within the time frame specified under contracts.

**CATHOLIC CHARITIES,  
DIOCESE OF ST. PETERSBURG, INC. AND AFFILIATES**

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

(Page 4 of 4)

(C) **Findings and Questioned Costs Relating to Federal Awards**

*None.*

(D) **Findings and Questioned Costs Relating to State Projects**

*None.*

(E) **Other Issues**

A Summary Schedule of Prior Audit Findings is not required because there were no prior audit findings related to federal programs or state projects.

**CATHOLIC CHARITIES,  
DIOCESE OF ST. PETERSBURG, INC. AND AFFILIATES**

Corrective Action Plan

Year ended June 30, 2010

(Page 1 of 2)

Cognizant or Oversight Agency for Audit

U.S. Department of Housing and Urban Development

Catholic Charities, Diocese of St. Petersburg, Inc. and Affiliates respectfully submits the following corrective action plan for the year ended June 30, 2010.

Name and address of independent public accounting firm:

Lewis, Birch & Ricardo, LLC  
1401 Court Street  
Clearwater, Florida 33756

The findings from the Schedule of Findings and Questioned Costs for the year ended June 30, 2010 are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

**FINDINGS - FINANCIAL STATEMENT AUDIT**

**SIGNIFICANT DEFICIENCIES**

***2010-01 Accounts Payable Processing***

*Recommendation:* Internal controls over accounts payable and check disbursement processing should be re-evaluated to reduce the likelihood of these errors from recurring. Approval of invoices and check disbursements should be consistent and well documented. Check numbers should be accounted for to preclude the use of duplicate check numbers which unnecessarily complicate the bank reconciliation process. Checks should be prepared and signed only if sufficient funds are available and checks can be released to vendors.

*Action Taken:* We have developed a procedure to document the approval of invoices and check disbursements and will include the practice of including a check register with the check log upon the signing of the checks by the President and Chief Operating Officer. Upon the conversion to our new accounting system duplicate checks should not be an issue in subsequent years. We will make every effort to issue checks once sufficient funds are available.

***2010-02 Payroll Processing***

*Recommendation:* Internal control procedures should be in place to provide reasonable assurance that payroll costs are allocated based on the actual time spent by personnel in each activity and that the amount of payroll allocated is based on actual payroll rates.

**CATHOLIC CHARITIES,  
DIOCESE OF ST. PETERSBURG, INC. AND AFFILIATES**

Corrective Action Plan

Year ended June 30, 2010

(Page 2 of 2)

**FINDINGS - FINANCIAL STATEMENT AUDIT (CONTINUED)**

*Action Taken:* We will be conducting personnel file checks during the fiscal year to ensure that employees are being paid at the correct pay rate. The only time a time sheet will be changed based on actual time will be for an exempt employee who works over eighty hours in a pay period. The allocation will be done based on the percentage of time worked times eighty hours, due to payroll system limitations.

**2010-03 *Review of Eligibility Determinations***

*Recommendation:* Internal control procedures should be in place to provide reasonable assurance that eligibility determinations are reviewed and approved by a supervisor prior to providing services to clients. Recertification of eligibility requirements should also be reviewed and approved within the time frame specified under contracts.

*Action Taken:* We will have the Supervisor for the San Jose Mission Phase II and III sign off on all client records that the eligibility requirements have been met. The peer review process for the other programs will review and approve client records for eligibility. Evidence of this peer review will be documented in the client record. If there is a major deviation within a program, the sample size will be increased.

*Members:*

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1990 Main Street, Suite 750  
Sarasota, Florida 34236  
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www.lbrllc.com

The Board of Trustees  
Catholic Charities, Diocese of St. Petersburg, Inc.

We have audited the financial statements of Catholic Charities, Diocese of St. Petersburg, Inc. as of and for the year ended June 30, 2010, and have issued our report thereon dated December 8, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. We have issued our independent auditors' report on internal control over financial reporting and on compliance and other matters, our independent auditors' report on compliance and internal control over compliance applicable to each major federal program and state project, and the schedule of findings and questioned costs. Disclosures in those reports and schedule, which are dated December 8, 2010, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.650, Rules of the Auditor General which requires disclosure in the management letter of violations of provisions of contracts or grant agreements, or abuse, that have an effect on the financial statements or state project in an amount that is less than material but more than inconsequential. In addition, for matters that have an inconsequential effect on the financial statements or state project amounts, considering both quantitative and qualitative factors, the following may be reported based on professional judgment: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. Our audit disclosed the following matters required to be disclosed:

#### **Credit Card Payments**

The Organization utilizes credit cards to purchase various supplies needed at certain programs. We noted that in certain instances, payments were made based on credit card statement balances without reconciling the underlying charges to supporting receipts. We also noted that credit card payments are made electronically and do not require check signer authorizations. We recommend that management develop a disbursement request form to be used for the processing of credit card charges which clearly identify the reconciliation of charges to underlying receipts and that documentation of the approval of payment includes verification that the electronic payment agrees with the amount authorized.

*Managements Response:* Staff will send copies of the credit card statements out to the responsible parties, the responsible party will attach credit card receipts to the credit card statement and send the credit card receipts and statement to the Accounts Payable Specialist within seven days. The Accounts Payable Specialist will verify total charges are supported by credit card receipts before entering the corresponding journal entry. If receipts are missing, the Chief Operating Officer will be notified, and will contact the responsible party to determine the further use of credit cards. The senior accountant will obtain approval from the President and Chief Operating Officer prior to transmission of electronic payment, by utilizing the Disbursement Request Form, which will be filed with the statement in the appropriate month.

### In-Kind Support

The Organization receives significant amounts of donated food, program supplies, use of land and facilities and professional services. In addition, several of the Organization's programs benefit from the efforts of many volunteers whose services do not qualify for recording as in-kind support in the general ledger but the value of those services could be potentially used as local match. Consistent with our recommendation during the fiscal 2009 audit, we recommend the procedures and controls over receiving, valuing, and recording in-kind support be strengthened to ensure donations are properly recorded in the general ledger in conformity with generally accepted accounting principles.

*Managements Response:* Although we have made progress in the valuation of volunteer hours, problems still occurred in the valuation of goods. The finance staff will be working with the information system staff to improve the reporting in the general ledger. The finance staff will be using the area Bureau of Labor statistics to track professional volunteers hours, and the Salvation Army's database to value of donated goods.

\*\*\*\*\*

Pursuant to Chapter 199, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that the letter is intended solely for the information of the board of directors, management and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Jemis, Brian & Ricardo, LLC*

Clearwater, Florida  
December 8, 2010