

**CATHOLIC CHARITIES OF CENTRAL
FLORIDA, INC. AND AFFILIATE**

Combined Financial Statements and
Supplementary Information

June 30, 2010

(With Independent Auditors' Report Thereon)

CATHOLIC CHARITIES OF CENTRAL FLORIDA, INC. AND AFFILIATE

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Steve Davis, Shareholder
Christopher Grim, Shareholder
Cheryl B. Yeomans, Shareholder

Independent Auditors' Report

The Board of Directors
Catholic Charities of Central Florida, Inc. and affiliate:

We have audited the accompanying combined statement of financial position of Catholic Charities of Central Florida, Inc. (a not-for-profit organization) and its affiliate as of June 30, 2010, and the related combined statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. 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 audit. The prior year summarized comparative information has been derived from Catholic Charities of Central Florida, Inc. and its affiliate's 2009 financial statements, which were audited by other auditors whose report dated December 16, 2009, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 of Central Florida, Inc. and its affiliate as of June 30, 2010, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2010, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 read in conjunction with this report in considering the results of our audit.

Davis, Grim and Company, P.A.
Certified Public Accountants & Advisors
P.O. Box 3271
Orlando, Florida 32802

Our audit was conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The combining information included in Schedules I and II is presented for purposes of additional analysis of the combined financial statements rather than to present the financial position and results of operations of the individual organizations. 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 of the Rules of the Auditor General of the State of Florida, and is not a required part of the combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the combined financial statements taken as a whole.

Davis, Grim and Company, P.A.

Davis, Grim and Company, P.A.
December 15, 2010

CATHOLIC CHARITIES OF CENTRAL FLORIDA, INC. AND AFFILIATE

Combined Statement of Financial Position

June 30, 2010

(With comparative financial information as of June 30, 2009)

	<u>2010</u>	<u>2009</u>
<u>Assets</u>		
Current assets:		
Cash	\$ 2,309,642	\$ 2,177,232
Grants receivable	921,481	1,145,138
Due from affiliates, net	48,819	57,988
Current portion of pledges receivable	46,228	3,044,450
Prepaid expenses	51,253	5,623
Total current assets	<u>3,377,423</u>	<u>6,430,431</u>
Property and equipment, net	24,251,039	23,752,942
Restricted cash	3,381,181	2,404,554
Deposits and reserves	451,731	75,749
Bond costs, net	100,950	106,246
Pledges receivable, net	42,334	94,512
Total assets	<u>\$ 31,604,658</u>	<u>\$ 32,864,434</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 401,441	\$ 558,337
Accrued vacation	237,037	235,518
Current portion of bond payable	255,000	245,000
Due to affiliates	410,000	79,134
Total current liabilities	<u>1,303,478</u>	<u>1,117,989</u>
Deposits	19,051	16,781
Deferred revenue	18,353	2,000
Bond payable	12,670,000	12,925,000
Obligation under interest rate swap	1,780,920	1,153,080
Total liabilities	<u>15,791,802</u>	<u>15,214,850</u>
Net assets:		
Unrestricted	3,146,077	3,482,805
Temporarily restricted	11,166,779	12,666,779
Permanently restricted	1,500,000	1,500,000
Total net assets	<u>15,812,856</u>	<u>17,649,584</u>
Total liabilities and net assets	<u>\$ 31,604,658</u>	<u>\$ 32,864,434</u>

See accompanying notes to combined financial statements.

CATHOLIC CHARITIES OF CENTRAL FLORIDA, INC. AND AFFILIATE

Combined Statement of Activities and Changes in Net Assets

Year ended June 30, 2010

(With summarized financial information for the year ended June 30, 2009)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2010</u>	<u>Total 2009</u>
Support:					
Federal, state and local	\$ 5,126,852	\$ -	\$ -	\$ 5,126,852	\$ 4,021,543
Diocese of Orlando	1,361,101	-	-	1,361,101	1,310,159
Other contributions	1,025,946	-	-	1,025,946	5,185,610
United Way	435,136	-	-	435,136	505,912
Donated materials and supplies	325,480	-	-	325,480	242,447
Total support	<u>8,274,515</u>	<u>-</u>	<u>-</u>	<u>8,274,515</u>	<u>11,265,671</u>
Revenue:					
Service fees	976,821	-	-	976,821	530,504
Other sources	526,358	-	-	526,358	419,852
Fundraising	443,201	-	-	443,201	811,685
Sales of commodities	331,097	-	-	331,097	371,327
Client reimbursements	180,832	-	-	180,832	230,981
Interest income	9,455	-	-	9,455	30,418
Assets released from restrictions	1,500,000	(1,500,000)	-	-	-
Total revenue	<u>3,967,764</u>	<u>(1,500,000)</u>	<u>-</u>	<u>2,467,764</u>	<u>2,394,767</u>
Total support and revenue	<u>12,242,279</u>	<u>(1,500,000)</u>	<u>-</u>	<u>10,742,279</u>	<u>13,660,438</u>
Expenses:					
Program services:					
Catholic Charities entities	6,485,789	-	-	6,485,789	5,421,458
Resettlement and emergency assistance	3,329,446	-	-	3,329,446	2,838,437
Total program services	<u>9,815,235</u>	<u>-</u>	<u>-</u>	<u>9,815,235</u>	<u>8,259,895</u>
Supporting services:					
Management and general	1,672,711	-	-	1,672,711	1,481,134
Fundraising	463,221	-	-	463,221	431,903
Total supporting services	<u>2,135,932</u>	<u>-</u>	<u>-</u>	<u>2,135,932</u>	<u>1,913,037</u>
Total expenses	<u>11,951,167</u>	<u>-</u>	<u>-</u>	<u>11,951,167</u>	<u>10,172,932</u>
Change in net assets before special item	291,112	(1,500,000)	-	(1,208,888)	3,487,506
Special item - Fair value adjustment on interest rate swap	<u>(627,840)</u>	<u>-</u>	<u>-</u>	<u>(627,840)</u>	<u>(922,681)</u>
Change in net assets after special item	(336,728)	(1,500,000)	-	(1,836,728)	2,564,825
Net assets, beginning of year	<u>3,482,805</u>	<u>12,666,779</u>	<u>1,500,000</u>	<u>17,649,584</u>	<u>15,084,759</u>
Net assets, end of year	<u>\$ 3,146,077</u>	<u>\$ 11,166,779</u>	<u>\$ 1,500,000</u>	<u>\$ 15,812,856</u>	<u>\$ 17,649,584</u>

See accompanying notes to combined financial statements.

CATHOLIC CHARITIES OF CENTRAL FLORIDA, INC. AND AFFILIATE

Combined Statement of Functional Expenses - Program Services - Catholic Charities Entities and
St. Joseph Garden Courts, Inc.

Year ended June 30, 2010

(With summarized financial information for the year ended June 30, 2009)

	<u>EFS and Disaster</u>	<u>Unmarried Parents</u>	<u>Adoption and Care of Children</u>	<u>Counseling</u>	<u>Housing and Healthcare</u>
Salaries	\$ 562,846	40,203	40,203	361,829	40,203
Employee health and retirement benefits	137,716	9,837	9,837	78,695	9,837
Payroll taxes	<u>48,612</u>	<u>3,472</u>	<u>3,472</u>	<u>27,778</u>	<u>3,472</u>
Total salaries and related expenses	<u>749,174</u>	<u>53,512</u>	<u>53,512</u>	<u>468,302</u>	<u>53,512</u>
Program expenses	1,079,310	21,586	129,517	21,586	345,379
Occupancy	122,105	7,183	7,183	57,461	14,365
Interest	239,230	4,601	13,802	46,006	9,201
Telephone	91,567	5,087	15,261	45,783	5,087
Purchased services	47,853	-	-	-	5,982
Bank fees	96,800	-	-	11,108	3,174
Dues, publications and other miscellaneous expenses	4,418	-	13,255	8,837	13,255
Office expenses	15,054	1,882	3,763	15,054	3,763
Local transportation	21,179	-	15,884	-	-
Conferences and meetings	<u>9,064</u>	<u>-</u>	<u>1,133</u>	<u>5,665</u>	<u>1,700</u>
	<u>1,726,580</u>	<u>40,339</u>	<u>199,798</u>	<u>211,500</u>	<u>401,906</u>
Total program services expenses before depreciation and amortization	2,475,754	93,851	253,310	679,802	455,418
Depreciation and amortization	<u>197,567</u>	<u>9,189</u>	<u>-</u>	<u>68,919</u>	<u>4,595</u>
Total program services expenses	\$ <u><u>2,673,321</u></u>	<u><u>103,040</u></u>	<u><u>253,310</u></u>	<u><u>748,721</u></u>	<u><u>460,013</u></u>

See accompanying notes to combined financial statements.

Food Bank	Centers and Shelters	Think Smart	Immigration	Criminal Justice	St. Joseph Garden Courts	Total 2010	Total 2009
160,813	40,203	201,016	120,610	40,203	58,636 \$	1,666,765 \$	1,528,340
49,184	-	39,347	39,347	9,837	-	383,637	318,490
13,889	3,472	20,834	10,417	3,472	-	138,890	121,923
<u>223,886</u>	<u>43,675</u>	<u>261,197</u>	<u>170,374</u>	<u>53,512</u>	<u>58,636</u>	<u>2,189,292</u>	<u>1,968,753</u>
64,759	21,586	21,586	21,586	21,586	153,493	1,901,974	1,427,793
129,288	158,019	14,365	7,183	7,183	52,250	576,585	445,046
-	9,201	-	23,003	9,201	-	354,245	405,810
10,174	15,261	35,609	20,348	5,087	-	249,264	190,829
29,908	5,982	41,871	35,889	5,982	-	173,467	128,026
-	-	-	11,108	3,174	-	125,364	72,363
4,418	13,255	26,510	4,418	4,418	-	92,784	85,066
7,527	3,763	20,699	3,763	-	12,757	88,025	80,280
23,826	-	21,179	-	5,295	-	87,363	70,148
1,700	567	8,498	1,133	567	-	30,027	36,272
<u>271,600</u>	<u>227,634</u>	<u>190,317</u>	<u>128,431</u>	<u>62,493</u>	<u>218,500</u>	<u>3,679,098</u>	<u>2,941,633</u>
495,486	271,309	451,514	298,805	116,005	277,136	5,868,390	4,910,386
13,784	18,378	13,784	22,973	4,595	263,615	617,399	511,072
<u>509,270</u>	<u>289,687</u>	<u>465,298</u>	<u>321,778</u>	<u>120,600</u>	<u>540,751 \$</u>	<u>6,485,789 \$</u>	<u>5,421,458</u>

See accompanying notes to combined financial statements.

CATHOLIC CHARITIES OF CENTRAL FLORIDA, INC. AND AFFILIATE

Combined Statement of Functional Expenses - Program Services - Resettlement

Year ended June 30, 2010

(With summarized financial information for the year ended June 30, 2009)

	<u>DCF</u>	<u>USCCB</u>	<u>Total 2010</u>	<u>Total 2009</u>
Salaries	\$ 1,366,911	120,610	\$ 1,487,521	\$ 1,352,727
Employee health and retirement benefits	373,800	39,347	413,147	350,601
Payroll taxes	<u>118,057</u>	<u>10,417</u>	<u>128,474</u>	<u>111,813</u>
Total salaries and related expenses	<u>1,858,768</u>	<u>170,374</u>	<u>2,029,142</u>	<u>1,815,141</u>
Purchased services	340,949	29,908	370,857	268,819
Program expenses	151,103	259,036	410,139	328,660
Occupancy	143,653	21,548	165,201	134,630
Local transportation	140,310	15,884	156,194	120,566
Telephone	91,567	10,174	101,741	81,362
Office expenses	54,569	3,763	58,332	51,354
Dues, publications and other miscellaneous expenses	22,092	4,418	26,510	24,911
Conferences and meetings	<u>10,197</u>	<u>1,133</u>	<u>11,330</u>	<u>12,994</u>
	<u>954,440</u>	<u>345,864</u>	<u>1,300,304</u>	<u>1,023,296</u>
Total program services expenses	<u>\$ 2,813,208</u>	<u>516,238</u>	<u>\$ 3,329,446</u>	<u>\$ 2,838,437</u>

See accompanying notes to combined financial statements.

CATHOLIC CHARITIES OF CENTRAL FLORIDA, INC. AND AFFILIATE

Combined Statement of Functional Expenses - Supporting Services

Year ended June 30, 2010

(With summarized financial information for the year ended June 30, 2009)

	Management and General	Fundraising	Total 2010	Total 2009
Salaries	\$ 769,493	201,016	\$ 970,509	\$ 868,647
Employee health and retirement benefits	147,554	39,347	186,901	163,702
Payroll taxes	62,502	17,361	79,863	73,155
Total salaries and related expenses	<u>979,549</u>	<u>257,724</u>	<u>1,237,273</u>	<u>1,105,504</u>
Dues, publications and other miscellaneous expenses	229,757	92,786	322,543	295,637
Telephone	137,352	20,348	157,700	127,709
Interest expense	92,011	13,802	105,813	121,215
Office expenses	43,279	11,290	54,569	47,659
Purchased services	35,888	17,945	53,833	36,030
Bank fees	28,564	4,761	33,325	18,901
Occupancy	28,730	-	28,730	19,729
Local transportation	18,531	2,647	21,178	13,385
Conferences and meetings	14,727	567	15,294	18,191
	<u>628,839</u>	<u>164,146</u>	<u>792,985</u>	<u>698,456</u>
Total supporting service expenses before depreciation and amortization	1,608,388	421,870	2,030,258	1,803,960
Depreciation and amortization	64,323	41,351	105,674	109,077
Total supporting services expenses	<u>\$ 1,672,711</u>	<u>463,221</u>	<u>\$ 2,135,932</u>	<u>\$ 1,913,037</u>

See accompanying notes to combined financial statements.

CATHOLIC CHARITIES OF CENTRAL FLORIDA, INC. AND AFFILIATE

Combined Statement of Cash Flows

Year ended June 30, 2010

(With comparative financial information as of June 30, 2009)

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Change in net assets	\$ (1,836,728)	\$ 2,564,825
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation and amortization	723,073	620,149
Unrealized loss on interest rate swap	627,840	922,681
Cash provided by (used in) changes in:		
Grants receivable	223,657	(343,321)
Pledges receivable	3,050,400	(3,138,962)
Prepaid expenses	(45,630)	-
Deposits and reserves	(373,712)	(54,402)
Accounts payable and accrued expenses	(156,896)	(364,220)
Accrued vacation	1,519	20,658
Deferred revenue	16,353	-
Net cash provided by operating activities	<u>2,229,876</u>	<u>227,408</u>
Cash flows from investing activities:		
Change in amounts due to/from affiliate, net	340,035	179,834
Withdrawals from (deposits into) restricted cash	(976,627)	1,550,990
Proceeds from sale of certificates of deposit	-	208,409
Acquisition of property and equipment	<u>(1,215,874)</u>	<u>(2,564,454)</u>
Net cash used in investing activities	<u>(1,852,466)</u>	<u>(625,221)</u>
Cash flows from financing activities-		
Repayments of bond payable	<u>(245,000)</u>	-
Net increase (decrease) in cash	132,410	(397,813)
Cash, beginning of year	<u>2,177,232</u>	<u>2,575,045</u>
Cash, end of year	\$ <u><u>2,309,642</u></u>	\$ <u><u>2,177,232</u></u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ <u><u>460,058</u></u>	\$ <u><u>527,026</u></u>

See accompanying notes to combined financial statements.

CATHOLIC CHARITIES OF CENTRAL FLORIDA, INC. AND AFFILIATE

Notes to Combined Financial Statements

June 30, 2010

(1) Organization

Catholic Charities of Central Florida, Inc. (CCCF) is a Florida not-for-profit organization formed in 1962 and governed by the Diocese of Orlando (Diocese), which was organized to coordinate social services and charitable work within the Diocese.

The combined financial statements for Catholic Charities of Central Florida, Inc. and affiliate (the Organization) include St. Joseph Garden Courts, Inc. (SJGC), which is exempt from federal income taxes. St. Joseph Garden Courts, Inc. serves a purpose that is similar in nature to that of CCCF and is an affiliate corporation of CCCF under common management. As the Organization is a member of the Diocese Corporation Sole, the Bishop of Orlando holds title to all of the Organization's assets and is liable for all of its indebtedness.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting.

(b) Basis of Presentation

Unconditional promises to give (pledges) are recognized as support and revenue in the period received at their fair value. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value on the date the assets are received.

Contributed professional support services are reflected as contributions in the accompanying financial statements at their estimated fair values at the date of receipt. In addition, there are many volunteers who contribute their time to assist the Organization in its program operations, administrative functions and fund raising campaigns. These volunteer services are not valued or reflected in the accompanying financial statements.

The Organization presents its net assets in classes based on the existence or absence of externally imposed donor restrictions. These classes of net assets are unrestricted, temporarily restricted and permanently restricted. All net assets are considered to be available for unrestricted use unless specifically restricted by the donor or by law. Temporarily restricted net assets include contributions with temporary, donor-imposed time or purpose restrictions. Temporarily restricted net assets become unrestricted and are reported in the statement of activities as net assets released from restrictions when the time restrictions expire or the contributions are used for the restricted purpose. When restrictions on assets are released in the same reporting period as the assets are received those assets are reported as unrestricted revenue in the statement of activities.

CATHOLIC CHARITIES OF CENTRAL FLORIDA, INC. AND AFFILIATE

Notes to Combined Financial Statements

June 30, 2010

(2) Summary of Significant Accounting Policies, Continued

(b) Basis of Presentation, continued

Permanently restricted net assets include contributions with donor-imposed restrictions requiring resources to be maintained in perpetuity, but permitting use of all or part of the investment income earned on the contributions. At June 30, 2010 permanently restricted net assets totaled \$1,500,000, with investment income to be used for the support of programs and services of the Organization.

Funds received in the form of grants are primarily on a reimbursable basis, and as a result of the Organization receiving them in this manner, they have classified this funding as unrestricted. In addition, absent explicit donor stipulations about how long property and equipment must be maintained, the Organization reports expirations of donor restrictions on cash or other assets that must be used to acquire property and equipment when the property and equipment begins construction and/or is acquired.

(c) Donated Materials and Supplies

The Organization receives various contributed materials and supplies used primarily for providing food and social services for people in need. Donated materials and supplies totaled \$325,480 for the current year.

(d) Grants Receivable

The Organization's receivables are charged to bad debt expense when they are determined to be uncollectible based upon periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require the allowance method to be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method. The Organization recorded no bad debt expense for the current year.

CATHOLIC CHARITIES OF CENTRAL FLORIDA, INC. AND AFFILIATE

Notes to Combined Financial Statements

June 30, 2010

(2) Summary of Significant Accounting Policies, Continued

(e) Pledges Receivable, Net

Pledges receivable of \$88,562 are presented net of the amortized discount of \$18,505. The balance at June 30, 2010 consists of an original pledge of \$250,000, to be collected over a four year term, with the initial payment made at the date of the pledge. The Organization calculates its provision for the discount on this pledge based on the present value of the original pledge at an estimated interest rate of 4% over the remaining designated time period, less collections. Management's annual evaluation of the adequacy of the discount is based on the Organization's historical collections experience.

(f) Property and Equipment, Net

The Organization's policy is to capitalize purchases of property and equipment exceeding \$1,000, or \$5,000 if purchased in conjunction with certain grants. Property and equipment is capitalized at cost when purchased or at fair value at the date of gift if donated. Depreciation is provided based on the straight-line method applied over the estimated useful lives of the fixed assets, ranging from three to thirty years. Major additions and improvements are capitalized, and more routine expenditures for repairs and maintenance are charged to expense as incurred.

(g) Bond Costs, Net

Costs totaling \$112,000 incurred in connection with obtaining the bond described in Note 11 have been capitalized and are being amortized on a straight-line basis over the life of the related bond. Amortization expense and accumulated amortization totaled \$5,296 and \$11,050 for the year ended and as of June 30, 2010, respectively.

(h) Income Taxes

The Organization has been classified as an other-than-private foundation and is tax-exempt under Section 501(c)(3) of the Internal Revenue Code. The Organization is subject to a tax on income from any unrelated business.

On January 1, 2009, the Organization adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Organization has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the Organization's financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded

CATHOLIC CHARITIES OF CENTRAL FLORIDA, INC. AND AFFILIATE

Notes to Combined Financial Statements

June 30, 2010

(2) Summary of Significant Accounting Policies, Continued

(h) Income Taxes, Continued

any reserves, or related accruals for interest and penalties for uncertain income tax positions at June 30, 2010.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for years prior to 2006.

(i) Functional Allocation of Expenses

Certain expenses attributable to program services and management and general services were allocated by management based upon an estimate of the time the employees were involved and/or a percentage of assets utilized.

(j) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of support and revenue and expenses during the reporting period. Actual results could differ from these estimates.

(k) Prior Year Comparative Data

Summarized financial information for the prior year has been presented in the accompanying financial statements in order to provide an understanding of the changes in Catholic Charities of Central Florida, Inc. and its affiliate's financial position and activities. The prior year information in the statement of activities and changes in net assets, along with the statements of functional expenses, is presented in total but not by net asset class and, as such, does not include sufficient detail to constitute presentation in conformity with accounting principles generally accepted in the United States of America.

(l) Concentration of Credit Risk

Financial instruments which potentially subject the Organization to concentration of credit risk consist of cash. The Organization places its cash with high credit quality financial institutions. At various times throughout 2010 and at June 30, 2010, cash balances held at some financial institutions were in excess of federally insured limits of \$250,000. Uninsured balances totaled \$1,616,225 at June 30, 2010.

CATHOLIC CHARITIES OF CENTRAL FLORIDA, INC. AND AFFILIATE

Notes to Combined Financial Statements

June 30, 2010

(2) Summary of Significant Accounting Policies, Continued

(m) Subsequent Events

The Organization has performed an evaluation of subsequent events through December 15, 2010, which is the date the financial statements were issued.

(3) Pledges Receivable

Estimated future minimum payments of pledges receivable are as follows:

<u>Year ending June 30,</u>	
2011	46,228
2012	42,334
	<u>\$ 88,562</u>

(4) Property and Equipment

Property and equipment consists of the following as of year end:

Land	\$ 3,242,851
Buildings	20,343,296
Construction in progress	1,846,443
Office furniture, equipment and vehicles	2,885,781
	<u>28,318,371</u>
Less accumulated depreciation	<u>(4,067,332)</u>
	<u>\$ 24,251,039</u>

Depreciation expense for the year ended June 30, 2010 totaled \$717,777.

(5) Related Party Transactions

CCCCF received operational support from the Diocese of Orlando totaling \$1,361,101 during the current year.

Amounts due from affiliates of \$540,469, net allowance for doubtful accounts of \$491,650, include various advances made to related entities for construction and program related expenditures.

Amounts due to affiliates of \$410,000 includes various advances for interest paid relating to the bond swap agreement.

CATHOLIC CHARITIES OF CENTRAL FLORIDA, INC. AND AFFILIATE

Notes to Combined Financial Statements

June 30, 2010

(6) Retirement Plans

CCCF participates in a retirement plan pursuant to Section 403(b) which was established by the Diocese of Orlando. To be eligible to participate in the plan, employees are required to work 1,000 hours or more per year. Employees are vested over a five year period for the employer's matching contributions into the plan. The plan provides for a matching contribution of a discretionary percentage, to be determined by the employer, of the participant's salary contribution. During the year there were no employer contributions made to the plan.

CCCF participates in a master retirement plan maintained by the Diocese to provide retirement benefits for layworkers and priests of Catholic organizations within the Diocese. The plan provides for annual contributions based on approximately 8.8% of aggregate employee compensation. CCCF contributions to the plan for the year totaled \$352,899 and is included as a component of employee health and retirement benefits on the accompanying statements of functional expenses.

(7) Leases

The Organization is obligated under noncancelable operating leases for equipment, vehicles and office space. These leases require the Organization to pay all executory costs such as maintenance and insurance. Rental expense for operating leases totaled \$264,494 and is included as a component of occupancy expenses on the statements of functional expenses.

Future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) are as follows:

<u>Year ending June 30,</u>	
2011	\$ <u>40,000</u>

(8) Self Insurance

The Diocese of Orlando maintains self insurance plans for property, general liability and workers compensation for Diocesan entities. These self insurance plans include excess loss insurance coverage purchased from outside insurance carriers. CCCF participates in these plans and is charged its share of the estimated costs of claims, administration fees and excess coverage insurance policy premiums. The cost for participation in these plans totaled \$54,990 and is included as a component of occupancy expense in the accompanying statements of functional expenses. No reserves have been established as management considers their likelihood of loss to be minimal.

CATHOLIC CHARITIES OF CENTRAL FLORIDA, INC. AND AFFILIATE

Notes to Combined Financial Statements

June 30, 2010

(9) Bond Proceeds

On December 17, 2007, the Organization received \$13,170,000 through the issuance of Orange County Industrial Development Authority (Florida) Industrial Development Revenue Bonds (Catholic Charities of Central Florida, Inc. Project), Series 2007 (the Bonds). The Bonds mature on July 1, 2037. The Organization is required to make monthly payments to the Bond trustee to provide sufficient funds for the payment of fees, the redemption of the Bonds and the associated bond interest.

The Organization entered into a derivative instrument, effective November 28, 2007, known as an interest rate swap arrangement. The derivative instrument is used to hedge interest rate exposure for periods consistent with their underlying exposures and does not constitute an investment independent of these exposures. The Organization does not hold or issue financial instruments for trading purposes.

The interest rate swap effectively converted the variable interest rate of the bonds to a fixed rate of 3.47% on the notional amount of \$13,170,000 at June 30, 2007. The notional amount of the derivative financial instrument does not represent the actual amount exchanged by the parties, but instead represents the amount on which the contract is based. The floating interest rate payments under this swap are based on 70% of the LIBOR rate. The interest rate swap incurred a market value loss of \$627,840, which is included on the statement of activities as a special item. The total obligation under the interest rate swap is \$1,780,920.

The liability is classified as long-term since management does not intend to settle it during the year ending June 30, 2011. Future changes in the market value of this swap is included as a special item for fair value adjustments on the statement of activities.

The Organization received proceeds from the Bond that it holds in a restricted bank account. Use of such proceeds is contingent upon achieving requirements as set forth in the bond documents. The balance of \$2,015,802 is included as a component of restricted cash on the accompanying statement of financial position.

Following are maturities of the bond debt for each of the next five years and thereafter:

<u>Year ending June 30,</u>	
2011	\$ 255,000
2012	265,000
2013	275,000
2014	285,000
Thereafter	<u>11,845,000</u>
	<u>\$ 12,925,000</u>

CATHOLIC CHARITIES OF CENTRAL FLORIDA, INC. AND AFFILIATE

Notes to Combined Financial Statements

June 30, 2010

(10) Grant Contingencies

The Organization receives significant financial assistance from federal and state agencies in the form of grants. Expenditures of funds under those programs require compliance with the grant agreements and are subject to audit. Any disallowed expenditures resulting from such audits become a liability of the Organization. In the opinion of management such adjustments, if any, are not expected to materially affect the financial position of the Organization.

(11) Capital Advance Contingency

Under the regulatory agreement entered into with HUD, SJGC received a grant for the construction of a facility to be used as apartment units for low income, elderly persons as defined by Section 202 of the Housing Act of 1959. The grant was provided through a mortgage agreement and no interest or principal payments are required as long as the apartment units remain available for such persons.

Provided that the housing remains available for occupancy by eligible persons until December 2048, a period of 40 years from the date of the completion of the Project, and the note has not otherwise become due and payable by reason of default under the note, mortgage or regulatory agreement, on that date the note will be deemed to be paid and discharged. If default occurs by the Project under the terms of the mortgage agreement, the regulatory agreement or regulations, at the option of the Secretary of HUD, the grant amount of \$313,679 and the entire principal sum of \$10,353,100 will at once become due and payable without notice. The mortgage agreement is collateralized by all land, buildings and equipment of SJGC.

SJGC also received a \$500,000 HOME (Home Investment Partnership Program) grant from Orange County, Florida. The funds were used to assist in the construction cost of the facility. The source of the funds received requires the funds to be used for the purpose of construction of affordable multifamily units for elderly residents with household income below 50 percent of the area median income. The restrictions will remain in effect until December 2028, a period of 20 years from the date of the completion of the project.

Supplementary Information

CATHOLIC CHARITIES OF CENTRAL FLORIDA, INC. AND AFFILIATE

Schedule I - Combining Statement of Financial Position Information

June 30, 2010

	<u>CCCF</u>	<u>SJGC</u>	<u>Subtotal</u>	<u>Eliminations</u>	<u>Combined Total</u>
<u>Assets</u>					
Current assets:					
Cash	\$ 2,229,665	79,977	2,309,642	-	2,309,642
Grants receivable	921,481	-	921,481	-	921,481
Due from affiliates	48,819	-	48,819	-	48,819
Current portion of pledges receivable	46,228	-	46,228	-	46,228
Prepaid expenses	39,895	11,358	51,253	-	51,253
Total current assets	3,286,088	91,335	3,377,423	-	3,377,423
Property and equipment, net	13,750,988	10,500,051	24,251,039	-	24,251,039
Restricted cash	3,381,181	-	3,381,181	-	3,381,181
Deposits and reserves	-	451,731	451,731	-	451,731
Bond costs, net	100,950	-	100,950	-	100,950
Pledges receivable	42,334	-	42,334	-	42,334
Total assets	\$ 20,561,541	11,043,117	31,604,658	-	31,604,658
<u>Liabilities and Net Assets</u>					
Current liabilities:					
Accounts payable and accrued expenses	\$ 286,160	115,281	401,441	-	401,441
Accrued vacation	237,037	-	237,037	-	237,037
Current portion of bond payable	255,000	-	255,000	-	255,000
Due to affiliates	410,000	-	410,000	-	410,000
Total current liabilities	1,188,197	115,281	1,303,478	-	1,303,478
Deposits	-	19,051	19,051	-	19,051
Deferred revenue	16,353	2,000	18,353	-	18,353
Bond payable	12,670,000	-	12,670,000	-	12,670,000
Obligation under interest rate swap	1,780,920	-	1,780,920	-	1,780,920
Total liabilities	15,655,470	136,332	15,791,802	-	15,791,802
Net assets:					
Unrestricted net assets	3,406,071	(259,994)	3,146,077	-	3,146,077
Temporarily restricted	-	11,166,779	11,166,779	-	11,166,779
Permanently restricted	1,500,000	-	1,500,000	-	1,500,000
Total net assets	4,906,071	10,906,785	15,812,856	-	15,812,856
Total liabilities and net assets	\$ 20,561,541	11,043,117	31,604,658	-	31,604,658

CATHOLIC CHARITIES OF CENTRAL FLORIDA, INC. AND AFFILIATE
Schedule II - Combining Statement of Activities and Changes in Net Assets Information
Year ended June 30, 2010

	<u>CCCF</u>	<u>SJGC</u>	<u>Subtotal</u>	<u>Eliminations</u>	<u>Combined Total</u>
Support:					
Federal, state and local	\$ 5,126,852	\$ -	\$ 5,126,852	\$ -	\$ 5,126,852
Diocese of Orlando	1,361,101	-	1,361,101	-	1,361,101
Other contributions	1,025,946	-	1,025,946	-	1,025,946
United Way	435,136	-	435,136	-	435,136
Donated materials and supplies	325,480	-	325,480	-	325,480
Total support	<u>8,274,515</u>	<u>-</u>	<u>8,274,515</u>	<u>-</u>	<u>8,274,515</u>
Revenue:					
Service fees	520,643	456,178	976,821	-	976,821
Other sources	447,224	79,134	526,358	-	526,358
Fundraising	443,201	-	443,201	-	443,201
Sales of commodities	331,097	-	331,097	-	331,097
Client reimbursements	180,832	-	180,832	-	180,832
Interest income	8,017	1,438	9,455	-	9,455
Total revenue	<u>1,931,014</u>	<u>536,750</u>	<u>2,467,764</u>	<u>-</u>	<u>2,467,764</u>
Total support and revenue	<u>10,205,529</u>	<u>536,750</u>	<u>10,742,279</u>	<u>-</u>	<u>10,742,279</u>
Expenses:					
Program services:					
Catholic Charities entities	5,945,038	540,751	6,485,789	-	6,485,789
Resettlement and emergency assistance	3,329,446	-	3,329,446	-	3,329,446
Total program services	<u>9,274,484</u>	<u>540,751</u>	<u>9,815,235</u>	<u>-</u>	<u>9,815,235</u>
Supporting services:					
Management and general	1,626,876	45,835	1,672,711	-	1,672,711
Fundraising	463,221	-	463,221	-	463,221
Total supporting services	<u>2,090,097</u>	<u>45,835</u>	<u>2,135,932</u>	<u>-</u>	<u>2,135,932</u>
Total expenses	<u>11,364,581</u>	<u>586,586</u>	<u>11,951,167</u>	<u>-</u>	<u>11,951,167</u>
Change in net assets before special item	(1,159,052)	(49,836)	(1,208,888)	-	(1,208,888)
Special item - Fair value adjustment on interest rate swap	(627,840)	-	(627,840)	-	(627,840)
Change in net assets after special item	(1,786,892)	(49,836)	(1,836,728)	-	(1,836,728)
Net assets, beginning of year	<u>6,692,963</u>	<u>10,956,621</u>	<u>17,649,584</u>	<u>-</u>	<u>17,649,584</u>
Net assets, end of year	<u>\$ 4,906,071</u>	<u>\$ 10,906,785</u>	<u>\$ 15,812,856</u>	<u>\$ -</u>	<u>\$ 15,812,856</u>

CATHOLIC CHARITIES OF CENTRAL FLORIDA, INC. AND AFFILIATE

Schedule III - Expenditures of Federal Awards and State Financial Assistance

Year ended June 30, 2010

Federal/State Agency, Pass-through Entity Federal Program/State Project	CFDA/ CFSA Number	Agency or Pass-Through Number	Grant Award Amount	Federally Funded Expenditures
<u>Federal Awards</u>				
U.S. Department of Health and Human Services - Office of Refugee Resettlement: Pass-through Program from: State of Florida Department of Children & Families				
Youth Services *	93.566	LK-100	\$ 351,855	\$ 148,589
		LK-100A	498,219	351,855
Manpower Employment Program for Refugees/ Entrants *	93.566	LK-919	1,282,845	296,967
		LK-919A	1,100,000	735,887
Employability Status Assistance Services *	93.566	LK-945	534,408	139,396
		LK-106	1,100,040	426,285
Integration Assistance Service *	93.566	LK-873	470,522	111,270
		LK-973	490,522	329,997
Human Services				<u>2,540,246</u>
U.S. Department of Justice: Office of International Affairs, Immigration and Naturalization Service Pass-through Program from: U.S. Catholic Conference				
Cuban/ Haitian Entrant Resettlement Program	16.201	-	-	16,981
Migration and Refugee Services Match Grant *	93.576	-	480,000	<u>259,892</u>
Total U.S. Department of Justice				<u>276,873</u>
U.S. Department of State: Pass-through Program from: U.S. Catholic Conference				
Migration and Refugee Services Reception and Placement Program - Administrative *	19.510	-	147,710	81,380
Migration and Refugee Services Reception and Placement Program - Direct Assistance *	19.510	-	-	<u>124,296</u>
Total U.S. Department of State				<u>205,676</u>
U.S. Department of Agriculture: Emergency Food Assistance Program				
	10.568	12835	82,492	31,420
Federal Emergency Management Agency: Emergency Food & Shelter Program				
	97.024	Phase 28	224,936	189,526
		Phase ARRA	107,358	67,368
Total Federal Emergency Management Agency				<u>256,894</u>
Total Expenditures of Federal Awards			\$	<u><u>3,311,109</u></u>
<u>State Financial Assistance</u>				
Florida Department of Health Community Based Abstinence Program *				
	93.994	FAH15	675,560	\$ <u>664,459</u>
<i>Passed through the Community Based Care of Brevard, Inc.:</i>				
Community Based Care of Brevard	-	FBI0801	450,000	<u>150,000</u>
Total Expenditures of State Financial Assistance			\$	<u><u>814,459</u></u>

* - Denotes major federal program / state project

See accompanying note to schedule of expenditures of federal awards and state financial assistance.

CATHOLIC CHARITIES OF CENTRAL FLORIDA, INC. AND AFFILIATE

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

Year ended June 30, 2010

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance summarizes the expenditures incurred under all federal awards, and state financial assistance received by Catholic Charities of Central Florida, Inc. (CCCCF) for the fiscal year ended June 30, 2010. For purposes of this schedule, federal awards and state financial assistance include all grants and contracts entered into directly between CCCC and agencies and departments of the federal and state government. Federal awards and state financial assistance passed through other governmental agencies are also included in the schedule.

Expenditures for federal awards and state financial assistance programs are recognized on the accrual basis of accounting.

CATHOLIC CHARITIES OF CENTRAL FLORIDA, INC. AND AFFILIATE

Summary Schedule of Findings and Questioned Costs

Year ended June 30, 2010

(1) Summary of Auditor's Results

- (a) The type of report issued on the financial statements: Unqualified opinion
- (b) Significant deficiencies in internal control disclosed by the audit of the financial statements: None; Material weaknesses: None
- (c) Noncompliance which is material to the financial statements: None
- (d) Significant deficiencies in internal control over major programs: None; Material weaknesses: None
- (e) The type of report issued on compliance for major programs: Unqualified opinion
- (f) Any audit findings which are required to be reported under section .510(a) of OMB Circular A-133: None

(g) Major programs:

U.S. Department of Health and Human Services-

Office of Refugee Resettlement:

Pass-through Program from:

State of Florida Department of Children & Families

- Youth Services
- Manpower Employment Program for Refugees/Entrants
- Employability Status Assistance Services
- Integration Assistance Service

CFDA Number: 93.566

U.S. Department of Justice-

Office of International Affairs, Immigration and Naturalization Service

Pass-through Program from:

U.S. Catholic Conference

- Migration and Refugee Match Grant
CFDA Number: 93.567
- Migration and Refugee Reception and Placement Services
CFDA Number: 19.510

Florida Department of Health-

- Community Based Abstinence Program
CFDA Number: 93.994

(h) Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

(i) Auditee qualified as low risk auditee under section 530 of OMB Circular A-133: Yes

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*: None

(3) Findings and Questioned Costs relating to Federal Awards Programs: None



Steve Davis, Shareholder
Christopher Grim, Shareholder
Cheryl B. Yeomans, Shareholder

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

The Board of Directors
Catholic Charities of Central Florida, Inc. and affiliate:

We have audited the financial statements of Catholic Charities of Central Florida, Inc. and affiliate (the Organization) as of and for the year ended June 30, 2010, and have issued our report thereon dated December 15, 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 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 control deficiency 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 significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 Most Reverend John Noonan, Bishop of Orlando, the Diocese of Orlando, the board of directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Davis, Grim and Company, P.A.

Davis, Grim and Company, P.A.
December 15, 2010



Steve Davis, Shareholder
Christopher Grim, Shareholder
Cheryl B. Yeomans, Shareholder

**Independent Auditors' Report on Compliance with Requirements Applicable to
Each Major Program and on Internal Control Over Compliance in
Accordance with OMB Circular A-133**

The Board of Directors
Catholic Charities of Central Florida, Inc. and affiliate:

Compliance

We have audited the compliance of Catholic Charities of Central Florida, Inc. and affiliate (the Organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. The Organization's major federal programs are identified in the summary of auditors' 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 is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we consider 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 the Organization's compliance with those requirements.

In our opinion, the Organization complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control

Davis, Grim and Company, P.A.
Certified Public Accountants & Advisors

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over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 the Most Reverend John Noonan, Bishop of Orlando, the Diocese of Orlando, the board of directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Davis, Grim and Company, P.A.

Davis, Grim and Company, P.A.
December 15, 2010