

*Members:*

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

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**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, 2011 and 2010**

**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, 2011 and 2010, 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, 2011. 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 2010 combined financial statements and, in our report dated December 8, 2010, 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, 2011 and 2010, 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, 2011 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 12, 2011 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 basic financial statements 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 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 not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Lewis, Brich & Ricardo, LLC*

Clearwater, Florida  
December 12, 2011

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

Combined Statements of Financial Position

June 30, 2011 and 2010

<u>Assets</u>	<u>2011</u>	<u>2010</u>
Current assets:		
Cash and cash equivalents (including restricted cash of \$826,274 and \$671,204 in 2011 and 2010, respectively) (notes 4 and 7)	\$ 1,383,374	991,853
Receivables:		
Grants and contracts (note 7)	935,385	976,748
Client service fees	59,857	91,422
Contributions	72,375	102,930
Other (note 4)	259,162	264,981
Current installments of loans receivable	32,513	-
Properties held for sale (note 3)	142,491	267,917
Prepaid expenses and other current assets	52,656	52,900
	<hr/>	<hr/>
Total current assets	2,937,813	2,748,751
Investments in common stock, at fair value (note 13)	43,552	30,171
Cash restricted for long-term investment by donor	97,513	97,513
Investments restricted for long-term purposes under bond indenture (notes 3 and 13)	296,441	296,441
Loans receivable, less current installments	41,193	-
Beneficial interest in assets held by others (notes 9 and 13)	24,528	20,242
Land, buildings and equipment, net (notes 2, 3, and 10)	29,727,931	25,287,886
Receivable from remainder trust (notes 8 and 13)	76,220	70,550
Other assets	72,643	75,635
	<hr/>	<hr/>
	\$ 33,317,834	28,627,189
	<hr/>	<hr/>

See accompanying notes to combined financial statements.

<u>Liabilities and Net Assets</u>	<u>2011</u>	<u>2010</u>
Current liabilities:		
Bank overdraft	\$ 162,002	49,264
Line of credit (note 3)	209,181	5,720
Current installments of long-term debt (note 3)	905,656	955,684
Accounts payable - trade	541,726	580,538
Accounts payable - construction	519,201	342,180
Accrued expenses (note 4)	439,982	677,334
Deferred revenue	119,962	91,811
	<hr/>	<hr/>
Total current liabilities	2,897,710	2,702,531
Advance from United States Conference of Catholic Bishops	23,500	23,500
Long-term debt, excluding current installments (note 3)	8,988,021	7,706,843
	<hr/>	<hr/>
Total liabilities	11,909,231	10,432,874
Net assets, as restated for 2010 (note 14):		
Unrestricted-		
Undesignated	2,831,342	2,954,782
Designated for long-term investment under bond indenture	296,441	296,441
	<hr/>	<hr/>
	3,127,783	3,251,223
Temporarily restricted (note 10)	18,183,257	14,845,529
Permanently restricted (note 10)	97,563	97,563
	<hr/>	<hr/>
Total net assets	21,408,603	18,194,315
Commitments and related party transactions (notes 4 and 5)		
	<hr/>	<hr/>
	\$ 33,317,834	28,627,189
	<hr/> <hr/>	<hr/> <hr/>

**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, 2011 and 2010  
(Page 1 of 2)

	<b>2011</b>	<b>2010</b>
<b>Operating Support and Revenue (note 7):</b>		
<i>Public support:</i>		
Special events revenue	\$ 167,528	151,079
Less special event expenses	(25,848)	(27,296)
Net revenue from special events	141,680	123,783
Diocesan subsidy (note 4)	952,000	972,000
Contributions and bequests	928,489	669,763
In-kind contributions (note 11)	1,171,935	873,681
United Way allocations	203,195	235,567
	3,255,619	2,751,011
<i>Revenue:</i>		
Client service fees	513,619	469,795
Reimbursement of direct and indirect costs of providing program services by government and other agencies	5,615,117	5,733,067
Interest income	9,824	8,547
Rental income	2,238,206	1,525,843
Management fee income	383,905	242,633
Other	127,262	104,838
	8,887,933	8,084,723
<i>Net assets released from restrictions:</i>		
Expiration of time restrictions on capital assets	478,160	487,305
Expiration of other time restrictions	251,836	102,864
Satisfaction of donor use restrictions	451,445	333,733
	1,181,441	923,902
Total operating support and revenue	13,466,673	11,883,419
<b>Operating Expenses:</b>		
Program services	12,337,926	10,589,405
Supporting services	1,332,452	1,254,481
	13,670,378	11,843,886
Increase (decrease) in unrestricted net assets from operations	(203,705)	39,533



**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, 2011 and 2010  
(Page 2 of 2)

	<b>2011</b>	<b>2010</b>
<b>Other changes:</b>		
Net unrealized gain on investment in common stock	\$ 13,381	10,961
Gain (loss) on disposal of property and equipment	(47,823)	49,668
Settlement income - San Jose Mission	-	375,000
Litigation expenses - San Jose Mission	-	(45,753)
Donated properties and vehicles	106,011	-
Net assets released from restriction - satisfaction of capital expenditure restrictions	8,696	2,846
Increase (decrease) in unrestricted net assets	(123,440)	432,255
Unrestricted net assets at beginning of year, as restated (note 14)	3,251,223	2,818,968
Unrestricted net assets at end of year	\$ 3,127,783	3,251,223

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, 2011 and 2010

	<b>2011</b>	<b>2010</b>
<b>Unrestricted net assets:</b>		
Total unrestricted operating support and revenue	\$ 12,285,232	10,959,517
Total unrestricted operating expenses	(13,670,378)	(11,843,886)
Net unrealized gain on investment in common stock	13,381	10,961
Gain (loss) on disposal of property and equipment	(47,823)	49,668
Settlement income - San Jose Mission	-	375,000
Litigation expenses - San Jose Mission	-	(45,753)
Donated properties and vehicles	106,011	-
Net assets released from restrictions	1,190,137	926,748
Increase (decrease) in unrestricted net assets	(123,440)	432,255
<b>Temporarily restricted net assets:</b>		
Contributions and bequests	109,166	328,801
United Way allocations	72,375	102,930
Capital grants and contributions (note 3)	4,340,654	3,636,787
Change in value of remainder trust	5,670	1,886
Net assets released from restrictions	(1,190,137)	(926,748)
Increase in temporarily restricted net assets	3,337,728	3,143,656
Increase in net assets	3,214,288	3,575,911
Net assets at beginning of year	18,194,315	14,618,404
Net assets at end of year, as restated for 2010	\$ 21,408,603	18,194,315

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, 2011  
(With comparative totals for 2010)

(Page 1 of 3)

	<u>Pinellas Village</u>	<u>Mobile Medical Service</u>	<u>Marriage and Family Counseling</u>	<u>Family Outreach and Support</u>	<u>East Hillsborough Programs</u>	<u>Housing Counseling</u>	<u>Largo Adrian Property</u>
Salaries and wages	\$ 139,988	3,975	46,559	124,201	335,531	128,899	-
Employee benefits and payroll taxes	66,598	7,568	16,204	49,228	129,580	53,967	-
Contractor expenses	-	39,901	57,289	1,724	76,919	3,866	-
Professional fees	11,703	-	-	-	-	-	-
Travel expenses	3,185	235	3,173	5,618	17,753	7,220	-
Occupancy	501,306	2,800	20,214	2,944	70,945	11,607	81
Communications	9,254	1,071	6,366	2,371	12,631	3,792	-
Operating supplies	28,899	17,068	1,493	4,438	47,091	2,036	-
Printing and publications	115	440	263	78	376	4	-
Equipment	5,532	6,430	4,965	1,352	15,056	3,427	-
Computer expenses	8,078	1,684	2,906	2,694	14,332	3,007	-
Insurance	82,698	2,236	273	336	1,830	1,080	-
Dues, memberships and subscriptions	-	-	50	15	938	-	-
Assistance to individuals	91,712	-	565	7,501	6,611	450	-
In-kind (note 11)	-	22,748	-	-	-	-	-
Interest	-	-	1	337	2,469	2,692	-
Other	69,327	180	260	210	691	9	-
	<u>1,018,395</u>	<u>106,336</u>	<u>160,581</u>	<u>203,047</u>	<u>732,753</u>	<u>222,056</u>	<u>81</u>
Total direct expenses							
Depreciation and amortization	24,943	1,233	1,502	886	50,014	12,935	1
	<u>1,043,338</u>	<u>107,569</u>	<u>162,083</u>	<u>203,933</u>	<u>782,767</u>	<u>234,991</u>	<u>82</u>
Total expenses							

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 &amp; Apartments</b>	<b>Mercy House Voucher</b>	<b>Christopher Programs</b>
214,576	159,079	174,096	207,188	159,441	60,776	223,268	71,471	25,778
62,731	50,028	76,397	75,484	44,921	29,462	79,223	24,783	15,477
6,279	1,128	4,736	2,518	4,023	1,028	1,400	-	1,004
21,947	-	-	-	-	-	-	-	-
7,762	3,082	4,547	6,216	8,115	3,278	6,915	2,802	1,837
48,803	4,572	14,768	9,246	15,468	38,236	84,132	105	68,949
13,678	1,410	5,675	4,694	5,227	8,869	5,827	1,003	4,637
10,108	8,865	2,208	1,914	25,777	6,901	28,432	456	1,038
2,859	10	55	25	3	-	48	-	41
28,987	2,769	8,474	11,909	6,541	6,630	17,446	457	8,957
5,945	1,951	4,974	9,741	3,745	3,178	4,688	6,055	1,279
7,547	857	2,456	2,522	2,080	4,827	8,682	1,401	16,892
610	629	500	-	192	1,959	-	-	-
27,950	245	-	364,062	15,095	504	8,680	521,170	23,019
96,272	-	-	325,383	-	-	-	-	-
5,302	1,167	3,829	2,694	5,664	-	-	-	-
2,238	30	98	4,173	9	5,494	756	-	183
563,594	235,822	302,813	1,027,769	296,301	171,142	469,497	629,703	169,091
7,779	17,076	20,545	5,464	1,365	48,128	262,572	2,975	86,920
571,373	252,898	323,358	1,033,233	297,666	219,270	732,069	632,678	256,011

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

Combined Statement of Functional Expenses

Year ended June 30, 2011  
(With comparative totals for 2010)

(Page 2 of 3)

	<u>Largo Duplex</u>	<u>Access to Recovery</u>	<u>Respite/ Elderly Services</u>	<u>Project Healing &amp; Hope</u>	<u>United Way - EFSP</u>	<u>City of St. Petersburg - HRP</u>	<u>Haiti Relief</u>
Salaries and wages	\$ 1,353	15,173	34,736	-	1,591	30,844	107,723
Employee benefits and payroll taxes	604	2,850	9,475	129	1,268	9,892	23,462
Contractor expenses	-	52,523	216	-	-	-	2,000
Professional fees	-	-	-	-	-	-	-
Travel expenses	-	2,369	2,500	-	56	454	3,863
Occupancy	5,709	32	4,817	-	-	-	8,935
Communications	-	2,428	2,277	-	-	-	4,438
Operating supplies	-	1,142	1,944	-	-	738	5,254
Printing and publications	-	178	303	-	-	-	7
Equipment	-	29	2,492	-	-	-	12,019
Computer expenses	51	2,653	577	1	307	-	4,751
Insurance	-	-	189	-	-	-	613
Dues, memberships and subscriptions	-	-	86	-	-	-	-
Assistance to individuals	-	-	7	-	58,928	220,426	296,703
In-kind (note 11)	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	286
Other	889	1,266	219	-	-	-	19,245
	<u>8,606</u>	<u>80,643</u>	<u>59,838</u>	<u>130</u>	<u>62,150</u>	<u>262,354</u>	<u>489,299</u>
Total direct expenses							
Depreciation and amortization	4,198	17,466	262	-	232	493	2,672
	<u>12,804</u>	<u>98,109</u>	<u>60,100</u>	<u>130</u>	<u>62,382</u>	<u>262,847</u>	<u>491,971</u>
Total expenses							

See accompanying notes to combined financial statements.

<b>Friends in Need</b>	<b>Pinellas HOPE</b>	<b>Pinellas Hope II</b>	<b>Pinellas Hope Respite</b>	<b>Citrus Outreach Center</b>	<b>Ministries of Mercy</b>	<b>NSP - Arbor Villas</b>	<b>NSP - Alicia Arms</b>	<b>NSP - Sand Dollar</b>	<b>San Jose Mission Phase I</b>
7,980	403,010	18,449	39,906	-	12,233	6,434	-	-	61,148
3,655	129,736	6,405	9,562	-	1,105	-	-	-	30,121
164	31,637	1,440	168	-	91	1,683	-	2,736	-
-	74,124	8,730	-	-	-	66,226	45,807	46,080	7,992
65	1,821	870	2,308	-	-	10	-	-	2,825
10,968	166,336	23,117	787	227	9,466	70,328	29,561	36,273	123,463
504	11,495	417	1,046	-	4,626	1,676	144	229	1,825
2,811	281,171	3,792	4,032	-	183	2,321	276	5	3,481
1	9	-	-	-	-	-	-	-	-
579	48,576	-	-	-	1,048	1,736	-	65	10,539
400	12,848	1,173	979	-	756	373	1,293	91	2,037
45	6,029	-	-	-	346	-	-	4,160	33,305
-	60	-	-	-	-	-	-	-	-
109,918	35,302	1,095	33,969	-	1,258	-	-	-	-
-	727,532	-	-	-	-	-	-	-	-
104	-	-	-	-	953	-	-	-	75,660
<u>1</u>	<u>1,026</u>	<u>8,942</u>	<u>-</u>	<u>-</u>	<u>1,351</u>	<u>55,100</u>	<u>13,183</u>	<u>41,252</u>	<u>4,051</u>
137,195	1,930,712	74,430	92,757	227	33,416	205,887	90,264	130,891	356,447
<u>7,911</u>	<u>91,671</u>	<u>113,185</u>	<u>9,474</u>	<u>3</u>	<u>135</u>	<u>51,411</u>	<u>79,596</u>	<u>20,497</u>	<u>228,278</u>
<u>145,106</u>	<u>2,022,383</u>	<u>187,615</u>	<u>102,231</u>	<u>230</u>	<u>33,551</u>	<u>257,298</u>	<u>169,860</u>	<u>151,388</u>	<u>584,725</u>

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

Combined Statement of Functional Expenses

Year ended June 30, 2011  
(With comparative totals for 2010)

(Page 3 of 3)

	San Jose Mission Phase II	Catholic Charities Housing	Catholic Charities Community Dev. Corporation	Total Program Services	Supporting Services		Total Supporting Services
					General and Administrative	Development	
Salaries and wages	\$ 40,628	-	169,673	3,025,707	577,978	29,750	607,728
Employee benefits and payroll taxes	13,147	33	50,079	1,073,174	201,140	9,223	210,363
Contractor expenses	-	-	-	294,473	28,859	-	28,859
Professional fees	6,928	-	12,095	301,632	124,978	-	124,978
Travel expenses	324	-	14,548	113,751	11,293	-	11,293
Occupancy	33,089	-	5,952	1,423,236	49,167	2,317	51,484
Communications	32	-	5,268	122,910	22,134	1,043	23,177
Operating supplies	28	-	2,644	496,546	19,248	698	19,946
Printing and publications	-	-	287	5,102	1,850	-	1,850
Equipment	58	62	2,526	208,661	38,864	1,831	40,695
Computer expenses	-	107	4,874	107,528	32,309	1,172	33,481
Insurance	322	1,061	3,647	185,434	9,050	-	9,050
Dues, memberships and subscriptions	-	-	5,162	10,201	8,849	-	8,849
Assistance to individuals	-	-	793	1,825,963	1,391	-	1,391
In-kind (note 11)	-	-	-	1,171,935	-	-	-
Interest	162,889	10,936	2,285	277,268	55,099	-	55,099
Other	4,730	-	1,971	236,884	99,705	3,616	103,321
<b>Total direct expenses</b>	<b>262,175</b>	<b>12,199</b>	<b>281,804</b>	<b>10,880,405</b>	<b>1,281,914</b>	<b>49,650</b>	<b>1,331,564</b>
Depreciation and amortization	235,234	31,132	19,333	1,457,521	888	-	888
<b>Total expenses</b>	<b>\$ 497,409</b>	<b>43,331</b>	<b>301,137</b>	<b>12,337,926</b>	<b>1,282,802</b>	<b>49,650</b>	<b>1,332,452</b>

See accompanying notes to combined financial statements.

**Total Expenses**

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<b>2011</b>	<b>2010</b>
3,633,435	3,701,408
1,283,537	1,229,884
323,332	262,396
426,610	254,275
125,044	113,023
1,474,720	1,293,594
146,087	148,121
516,492	483,288
6,952	18,488
249,356	232,825
141,009	116,776
194,484	188,661
19,050	24,668
1,827,354	1,241,216
1,171,935	873,681
332,367	251,918
340,205	211,869
<hr/>	<hr/>
12,211,969	10,646,091
<hr/>	<hr/>
1,458,409	1,197,795
<hr/>	<hr/>
13,670,378	11,843,886



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

Combined Statements of Cash Flows

Years ended June 30, 2011 and 2010

	<b>2011</b>	<b>2010</b>
<b>Cash flows from operating activities:</b>		
Increase in net assets	\$ 3,214,288	3,575,911
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,458,409	1,197,795
Loss (gain) on disposal of property and equipment	47,823	(49,668)
Donated properties	(467,009)	(30,638)
Net unrealized gain on investment in common stock	(13,381)	(10,961)
Amortization of discount on notes payable	148,906	35,127
Change in value of assets held by others	(4,286)	(1,902)
Change in value of remainder trust	(5,670)	(1,886)
Cash received under government grants and other contributions for acquisition of capital assets	(31,439)	(1,284,130)
Noncash contributions arising from below market interest loans	(3,413,073)	(2,352,657)
Changes in assets and liabilities:		
Decrease (increase) in receivables	109,302	(372,713)
Decrease (increase) in prepaid expenses and other assets	(1,253)	8,856
Increase (decrease) in bank overdraft	112,738	(9,467)
Increase (decrease) in accounts payable	(239,106)	44,994
Increase (decrease) in accrued expenses	(237,352)	171,433
Increase in deferred revenue	28,151	2,505
	<u>707,048</u>	<u>922,599</u>
<b>Net cash provided by operating activities</b>		
<b>Cash flows from investing activities (note 12):</b>		
Proceeds from sale of property and equipment	19,650	104,000
Purchases of property and equipment	(186,073)	(3,398,476)
Loans made to program participants	(98,123)	-
Cash collections from loan program participants	24,417	-
	<u>(240,129)</u>	<u>(3,294,476)</u>
<b>Net cash used in investing activities</b>		
<b>Cash flows from financing activities (note 12):</b>		
Proceeds received from issuance of long-term debt	-	1,801,070
Principal payments on long-term debt	(310,298)	(221,118)
Net advances on line of credit	203,461	5,720
Cash received under governmental grants and other contributions for acquisition of capital assets	31,439	1,284,130
	<u>(75,398)</u>	<u>2,869,802</u>
<b>Net cash provided by (used in) financing activities</b>		
Net increase in cash and cash equivalents	391,521	497,925
Cash and cash equivalents at beginning of year	<u>991,853</u>	<u>493,928</u>
Cash and cash equivalents at end of year	<u>\$ 1,383,374</u>	<u>991,853</u>

See accompanying notes to combined financial statements.

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

Notes to Combined Financial Statements

June 30, 2011 and 2010

**(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., Catholic Charities Community Development Corporation, Catholic Charities Arbor Villas, Inc., Catholic Charities Alicia Arms, Inc., Catholic Charities Sand Dollar, Inc., and Catholic Charities Fountainview, Inc., (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., Catholic Charities Community Development Corporation, Catholic Charities Arbor Villas, Inc., Catholic Charities Alicia Arms, Inc., Catholic Charities Sand Dollar, Inc., and Catholic Charities Fountainview, Inc.. 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.

(Continued)

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

Notes to Combined Financial Statements

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, 2010, from which the summarized information was derived.

**(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.

(Continued)

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

Notes to Combined Financial Statements

**(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.

**(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, 2007 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).

**(n) Reclassifications**

Certain amounts in the 2010 combined financial statements have been reclassified to conform to the 2011 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, 2011 and 2010:

	<b>2011</b>	<b>2010</b>
Land	\$ 2,777,095	2,378,761
Buildings and improvements	32,942,643	24,584,669
Leasehold improvements	189,951	56,568
Vehicles	275,259	279,465
Construction in progress	13,111	3,313,470
Furniture and equipment	1,195,157	1,136,244
	37,393,216	31,749,177
Less accumulated depreciation and amortization	(7,665,285)	(6,461,291)
	\$ 29,727,931	25,287,886

Depreciation expense for the years ended June 30, 2011 and 2010 was \$1,453,920 and \$1,193,306, respectively.

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

Long-term debt consists of the following at June 30, 2011 and 2010:

	<b>2011</b>	<b>2010</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.	\$ 1,758,002	1,865,003
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
6.25% mortgage note payable, monthly principal and interest payments of \$2,327 due through May 2021, balloon payment of outstanding balance due June 2021. Secured by real property and cross collateralized.	\$ 352,729	359,453

(Continued)

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

Notes to Combined Financial Statements

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.	327,620	382,620
Non-interest bearing notes payable to Pasco County Development Corp.; principal payable upon sale of properties.	142,492	266,001
1% mortgage note payable to USDA in monthly installments of \$2,885 including principal and interest through September 2043; secured by real property.	952,050	953,265
1% mortgage note payable to USDA in monthly installments of \$9,433 including principal and interest through September 2043; secured by real property	3,112,440	3,100,000
Non-interest bearing promissory note payable to City of Largo in monthly installments of \$654 through June 2030; secured by real property	117,696	99,082
Non-interest bearing promissory note payable to Florida Housing Finance Corporation with balloon payment due August 2024; secured by real property.	2,063,494	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	2,598,390	1,732,500
3.5% promissory note payable to the Diocese in monthly installments of \$5,000 plus interest; unsecured.	191,883	243,239
Non-interest bearing note payable to the Diocese at a future date to be determined; unsecured.	150,000	150,000

(Continued)

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

Notes to Combined Financial Statements

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
Non-interest bearing promissory note payable to Pasco County with a balloon payment due October 2060. Secured by real property.	2,530,965	-
3% note payable, no payments the first year, interest only the second year, then annual installments of \$45,783, including interest, through July 2050, secured by real property.	<u>999,788</u>	<u>-</u>
Total long-term debt	19,524,011	15,028,694
Less unamortized discounts	9,630,334	6,366,167
Less current installments	<u>905,656</u>	<u>955,684</u>
Long-term debt, net of unamortized discounts, excluding current installments	<u>\$ 8,988,021</u>	<u>7,706,843</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, 2011, the Organization was in compliance with these financial covenants.

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 \$275,029 and \$267,710 at June 30, 2011 and 2010, respectively.

(Continued)



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

Notes to Combined Financial Statements

During fiscal year 2011, the Organization received additional financing under three existing non-interest bearing loans from governmental entities to fund the balance of construction of Pinellas Hope II. The Organization also received additional financing from the City of Tampa Neighborhood Stabilization Program to fund renovations at Riviera Apartments. In addition, during fiscal 2011, the Organization purchased two other apartment complexes with Neighborhood Stabilization Program funding from Hillsborough County and Pasco County. The notes are secured by mortgages on the underlying property. All of these loans are non-interest bearing or have below market interest rates 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). The following table summarizes these loans at June 30, 2011:

	Original Loan	Discount to net present value	Portion of loan forgiven
Pinellas Hope II:			
City of Largo CDBG loan	\$ 117,696	52,534	-
Florida Housing Finance Corp	2,751,326	953,700	687,831
Pinellas County	917,109	-	917,109
Riviera Apartments:			
City of Tampa	2,598,390	1,965,802	-
Sand Dollar Apartments:			
Hillsborough County	999,789	259,031	-
Arbor Villas Apartments:			
Pasco County	<u>2,530,965</u>	<u>2,315,796</u>	<u>-</u>
	<u>\$ 9,915,275</u>	<u>5,546,863</u>	<u>1,604,940</u>

(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 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 and then monthly payments of \$2,147 including principal and interest through June 2011. The loan agreement was modified and extended during fiscal 2011. The loan now matures in June 2021 and requires monthly payments of \$2,327 including principal and interest through May 2021 with the remaining unpaid balance due June 21, 2021.

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, 2011 and 2010 was \$142,492 and \$266,001, respectively.

(Continued)

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

Notes to Combined Financial Statements

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 1.92%. 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 12, 2011 and was renewed through August 6, 2012. Amounts borrowed under the renewed line of credit will accrue interest at one month LIBOR plus 1.72%. The outstanding balance on the line of credit was \$209,181 and \$5,720 at June 30, 2011 and 2010, respectively.

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, 2011 and 2010, respectively.

The aggregate maturities of long-term debt (before discounts) for each of the five years subsequent to June 30, 2011 and thereafter are as follows:

<b><u>Year ending June 30:</u></b>	
2012	\$ 905,656
2013	293,781
2014	409,531
2015	370,332
2016	373,310
Thereafter	<u>17,171,401</u>
	\$ <u><u>19,524,011</u></u>

**(4) Related Party Transactions**

The Organization had cash deposits of \$561,944 and \$576,963 at June 30, 2011 and 2010, respectively, with the Diocese and the Diocese provided support of \$952,000 and \$972,000 to the Organization for the years ended June 30, 2011 and 2010, respectively.

The Organization obtains all of its insurance coverage through pooled self-insurance funds of the Diocese. Insurance premiums paid to the Diocese were approximately \$911,000 and \$894,000 for the years ended June 30, 2011 and 2010, respectively. Included in accounts payable are amounts due to the Diocese of approximately \$88,000 and \$158,000 at June 30, 2011 and 2010, 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 at June 30, 2010. The \$110,000 was refunded and repaid to the Diocese during 2011.

(Continued)

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

Notes to Combined Financial Statements

**(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 \$169,000 and \$244,000 for the years ended June 30, 2011 and 2010, 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 for each of the years ended June 30, 2011 and 2010. In May 2011, the Organization notified the lessor of its intentions to cancel the lease effective July 31, 2011.

Future minimum lease payments under noncancellable operating leases (with initial or remaining lease terms in excess of one year) as of June 30, 2011 are as follows:

<b><u>Year ending June 30:</u></b>	
2012	\$ 115,820
2013	92,723
2014	73,737
2015	65,476
2016	<u>60,091</u>
	<u>\$ 407,847</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 \$274,390 and \$238,265 for the years ended June 30, 2011 and 2010, 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, 2011. 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.

(Continued)

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

Notes to Combined Financial Statements

**(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, 2011 and 2010 are primarily due from the aforementioned governmental agencies.

The Organization maintains demand deposit accounts with various financial institutions. Deposits held at these institutions were fully insured at June 30, 2011. Approximately \$562,000 held on deposit with the Diocese was not covered by Federal deposit insurance. (see note 4).

**(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.

(Continued)

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

Notes to Combined Financial Statements

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

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

	<u>2011</u>	<u>2010</u>
Contributions restricted for program activities	\$ 255,778	111,889
Capital expenditures	247,431	227,960
Facilities subject to time restrictions	7,901,120	7,966,033
Charitable remainder unitrust	76,220	70,550
United Way funding for future periods	72,375	102,930
Unamortized discounts on below market loans	<u>9,630,333</u>	<u>6,366,167</u>
	<u>\$ 18,183,257</u>	<u>14,845,529</u>

Permanently restricted net assets of \$97,563 at June 30, 2011 and 2010 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.

**(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:

	<u>2011</u>	<u>2010</u>
Services	\$ 25,798	27,359
Mileage, goods and clothing	325,383	86,331
Pregnancy and Parenting Support supplies	93,222	117,116
Pinellas Hope supplies	631,532	546,875
Land and office space	<u>96,000</u>	<u>96,000</u>
	<u>\$ 1,171,935</u>	<u>873,681</u>

(Continued)

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

Notes to Combined Financial Statements

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 10,100 volunteer hours, to be approximately **\$291,000** for the year ended June 30, 2011. For the year ended June 30, 2010, management estimated the fair value of 11,500 donated volunteer hours to be approximately \$331,000. 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, 2011 and 2010, the Organization's cash payments for interest were \$332,369 and \$251,918 respectively.

During fiscal 2011 and 2010, the Organization financed the acquisition of properties totaling \$5,308,356 and \$1,831,582, respectively.

During fiscal 2011 and 2010, the Organization sold properties held for sale with a cost of \$125,541 and \$114,726, respectively. These properties were sold to low income buyers as part of a federal program and the associated mortgages of \$125,541 and \$114,726, 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, the Organization purchased properties held for sale in the amount of \$45,054. The purchase was fully financed by a mortgage.

**(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.

(Continued)

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

Notes to Combined Financial Statements

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, 2011 and 2010 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>2011:</b>				
Common stock	\$ 43,552	43,552	-	-
Money market mutual fund	296,441	296,441	-	-
Charitable remainder unitrust	76,220	-	-	76,220
Community Foundation	24,528	-	24,528	-
	<u>\$ 440,741</u>	<u>339,993</u>	<u>24,528</u>	<u>76,220</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>

The following table sets forth a summary of changes in fair value of the receivable from a remainder trust using significant unobservable inputs (Level 3) for the years ended June 30, 2011 and 2010:

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	70,550
Change in fair value due to change in available market data and certain assumptions	<u>5,670</u>
Balance, June 30, 2011	<u>\$ 76,220</u>

(Continued)



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

Notes to Combined Financial Statements

**(14) Prior Year Adjustment**

During fiscal 2011 the Organization was notified that it had been under-billed for water and sewer service at the San Jose Mission dating back to fiscal 2010. The accompanying financial statements for the year ended June 30, 2010 have been restated to correct this error. Accrued program expenses increased by \$50,880 and unrestricted net assets simultaneously decreased by \$50,880 at June 30, 2010. The change in net assets decreased by \$50,880 for the year ended June 30, 2010.

**(15) Subsequent Events**

For purposes of disclosure, the Organization evaluated events occurring between the end of its most recent fiscal year (June 30, 2011) and December 12, 2011, 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, 2011

(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	\$ 654,765	-
		Loan 003	297,285	-
		Loan 005	2,510,984	-
		Loan 007	601,456	-
Subtotal - U.S. Department of Agriculture			<u>4,064,490</u>	<u>-</u>
<i>U.S. Department of Health and Human Services</i>				
Passed-through from State of Florida Department of Children and Families:				
Substance Abuse and Mental Health Services-Projects of				
Regional and National Significance	93.243	TI023133-01	126,606	-
Refugee and Entrant Assistance - Discretionary Grants	93.576	90RG0084	177,690	-
Refugee and Entrant Assistance - Discretionary Grants	93.576	90Z10073	185,463	-
Refugee and Entrant Assistance - State Administered Programs	93.566	LK124	334,440	-
			<u>824,199</u>	<u>-</u>
Passed-through from United States Conference of Catholic Bishops:				
Refugee and Entrant Assistance - Voluntary Agency Programs	93.567	90RV00491003	185,644	-
			<u>185,644</u>	<u>-</u>
Passed-through from Gulfcoast Jewish Family Services, Inc.:				
Assistance to Torture Victims	93.604	N/A	50,000	-
			<u>50,000</u>	<u>-</u>
Passed-through from Lutheran Services Florida, Inc.				
Refugee and Entrant Assistance - Targeted Assistance Grants	93.584	LK118	4,500	-
			<u>4,500</u>	<u>-</u>
Passed-through from the Pregnancy Center of Plant City:				
Community-Based Abstinence Education Program	93.010	90AE000233	9,665	-
			<u>9,665</u>	<u>-</u>
Subtotal - U.S. Department of Health and Human Services			<u>1,074,008</u>	<u>-</u>
<i>U.S. Department of Justice</i>				
Edward Byrne Memorial State and Local Law Enforcement				
Assistance Discretionary Grants Program	16.580	2010-D6-BX-0004	9,235	-
			<u>9,235</u>	<u>-</u>
Subtotal - U.S. Department of Justice			<u>9,235</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, 2011

(Page 2 of 4)

Federal / State Agency Pass-through Entity Federal / State Program	CFDA / CSFA Number	Contract/ Grant Number	Expenditures	Transfers To Subrecipients
Passed-through from United Way of Tampa Bay Emergency Food and Shelter National Board Program American Recovery and Reinvestment Act	97.024	169400-029	\$ 21,017 <u>21,017</u>	- <u>-</u>
Subtotal - U.S. Department of Homeland Security			<u>21,017</u>	<u>-</u>
<i>U.S. Department of Housing and Urban Development</i>				
Supportive Housing Program	14.235	FL0163B4H190802 FL0163B4H190801	91,304 28,023 <u>119,327</u>	- - <u>-</u>
Passed-through from the City of Tampa, Florida: Housing Opportunities for Persons with AIDS	14.241	POBC10700024 POBC10700012 POBC10700020 POBC10700011 POBC10700019 POBC10700010	502,670 166,801 237,687 68,176 120,115 23,730 <u>1,119,179</u>	- - - - - - <u>-</u>
Passed-through from Hillsborough County, Florida: Community Development Block Grant/Entitlement Grants Community Development Block Grant/Entitlement Grants Community Development Block Grant Program HOME Investments Partnerships Program	14.218 14.218 14.218 14.239	10-1020 09-1098 08-0612 08-0613	52,239 14,026 549,294 2,427,168 <u>3,042,727</u>	- - - - <u>-</u>
Passed-through from Pasco County Board of County Commissioners: Home Investment Partnership Program - Pasco Opportunity Program (POP)	14.239 14.239	N/A N/A	7,500 142,492 <u>149,992</u>	- - <u>-</u>
Passed-through from Catholic Charities USA: Housing Counseling Assistance Program	14.169	HC10-0011-06	8,550 <u>8,550</u>	- <u>-</u>
Passed-through from City of St. Petersburg, Florida: Homelessness Prevention and Rapid Re-Housing Program Recovery Act Funded	14.257	S-09-MY-12-0009	261,162 <u>261,162</u>	- <u>-</u>
Passed-through from City of Largo, Florida: Community Development Block Grant Program Community Housing Trust Fund	14.218	N/A	117,696 <u>117,696</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, 2011

(Page 3 of 4)

<b>Federal / State Agency Pass-through Entity Federal / State Program</b>	<b>CFDA / CSFA Number</b>	<b>Contract/ Grant Number</b>	<b>Expenditures</b>	<b>Transfers To Subrecipients</b>
Passed-through from City of St. Petersburg, Florida:				
St. Petersburg Housing Authority Section 3 Program American Recovery and Reinvestment Act	14.885	09-018	\$ 40,208 <u>40,208</u>	- <u>-</u>
Passed-through from City of St. Petersburg, Florida:				
Community Development Block Grant/Entitlement Grants	14.218	N/A	31,439	-
Community Development Block Grant/Entitlement Grants	14.218	N/A	40,000 <u>71,439</u>	- <u>-</u>
Passed-through from City of Largo, Florida:				
Community Development Block Grant Program	14.218	N/A	18,750 <u>18,750</u>	- <u>-</u>
Passed-through from Hillsborough County, Florida:				
Neighborhood Stabilization Program American Recovery and Reinvestment Act	14.256	N/A	999,789 <u>999,789</u>	- <u>-</u>
Passed-through from Pasco County, Florida				
Neighborhood Stabilization Program American Recovery and Reinvestment Act	14.256	N/A	2,530,965 <u>2,530,965</u>	- <u>-</u>
Passed-through from City of Tampa, Florida:				
Neighborhood Stabilization Program	14.218	N/A	2,598,390 <u>2,598,390</u>	- <u>-</u>
Subtotal - U.S. Department of Housing and Urban Development			<u>11,078,174</u>	<u>-</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	78,350 <u>78,350</u>	- <u>-</u>
Subtotal - U.S. Department of the Treasury			<u>78,350</u>	<u>-</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	217,940 <u>217,940</u>	- <u>-</u>
Subtotal - U.S. Department of State			<u>217,940</u>	<u>-</u>
Total Federal Expenditures			<u>\$ 16,543,214</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, 2011

(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	\$ 5,920	-
			<u>5,920</u>	<u>-</u>
Subtotal - State of Florida Department of Elder Affairs			<u>5,920</u>	<u>-</u>
Passed-through Florida Pregnancy Care Network, Inc.:				
Pregnancy Support Services Program	64.080	N/A	57,570	-
			<u>57,570</u>	<u>-</u>
Subtotal - State of Florida Department of Health			<u>57,570</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>
Passed-through from City of St. Petersburg, Florida:				
State Housing Initiatives Partnership Program	52.901	PO159248	5,100	-
			<u>5,100</u>	<u>-</u>
Subtotal - State of Florida Housing Finance Corporation			<u>1,255,100</u>	<u>-</u>
Total State Financial Assistance			<u>\$ 1,318,590</u>	<u>-</u>

Total expenditures by federal program for the year ended June 30, 2011 were as follows:

Farm Labor Housing Loans and Grants	10.405	\$ 4,064,490
Housing Counseling Assistance Program	14.169	8,550
Community Development Block Grant/Entitlement Grants	14.218	3,421,834
Supportive Housing Program	14.235	119,327
HOME Investments Partnerships Program	14.239	2,577,160
Housing Opportunities for Persons with AIDS	14.241	1,119,179
Neighborhood Stabilization Program		
American Recovery and Reinvestment Act	14.256	3,530,754
Homelessness Prevention and Rapid Re-housing Grant		
American Recovery and Reinvestment Act	14.257	261,162
St. Petersburg Housing Authority Section 3 Program		
American Recovery and Reinvestment Act	14.885	40,208
Edward Byrne Memorial State and Local Law Enforcement		
Assistance Discretionary Grants Program	16.580	9,235
U.S. Refugee Admissions Program	19.510	217,940
National Foreclosure Mitigation Counseling Program	21.000	78,350
Community-Based Abstinence Education Program	93.010	9,665
Substance Abuse and Mental Health Services-Projects of		
Regional and National Significance	93.243	126,606
Refugee and Entrant Assistance - State Administered Programs	93.566	334,440
Refugee and Entrant Assistance - Voluntary Agency Programs	93.567	185,644
Refugee and Entrant Assistance - Discretionary Grants	93.576	363,153
Refugee and Entrant Assistance - Targeted Assistance Grants	93.584	4,500
Assistance to Torture Victims	93.604	50,000
Emergency Food and Shelter National Board Program		
American Recovery and Reinvestment Act	97.024	<u>21,017</u>
		<u>\$ 16,543,214</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, 2011

**(1) Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the Schedule) includes the federal and state grant activity of Catholic Charities, Diocese of St. Petersburg, Inc. and Affiliates under programs of the federal government and state grant activity of the State of Florida for the year ended June 30, 2011. The information in the 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 State of Florida Auditor General*. Because the Schedule presents only a selected portion of the operations of Catholic Charities, Diocese of St. Petersburg, Inc. and Affiliates, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Catholic Charities, Diocese of St. Petersburg, Inc. and Affiliates. All federal awards and state projects passed through other government agencies are included in the accompanying schedule.

**(2) Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**(3) Subrecipients**

None of the expenditures of federal awards and state financial assistance included in the Schedule were paid or provided to subrecipients.

**(4) Other**

The accompanying Schedule presents federal expenditures and state financial assistance by pass-through agency. Expenditures of certain federal programs and state projects were awarded to Catholic Charities, Diocese of St. Petersburg, Inc. and Affiliates by more than one pass-through agency or under more than one contract. Total expenditures for each federal program and state financial assistance project are summarized on page 4 of the accompanying Schedule.

**INTERNAL CONTROL AND COMPLIANCE**

**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, 2011

	<b>Family Outreach and Support</b>	<b>REACH</b>	<b>Total CBHC Programs</b>
<b>Revenues:</b>			
Diocesan Support	\$ 790	7,611	8,401
Hillsborough County CDBG	-	66,265	66,265
Children's Board of Hillsborough County	198,582	592,108	790,690
YMCA Parents as Partners	-	123,511	123,511
Kinship Care	-	50,000	50,000
United Way of Tampa Bay	17,679	-	17,679
Program Fees	243	5,640	5,883
Contributions and bequests	350	1,583	1,933
Other	900	1,925	2,825
	218,544	848,643	1,067,187
<b>Expenses:</b>			
Salaries and wages	124,201	335,531	459,732
Employee benefits and payroll taxes	49,228	129,580	178,808
Contractor expenses	1,724	76,920	78,644
Travel expenses	5,618	17,753	23,371
Occupancy	2,944	70,946	73,890
Communications	2,372	12,631	15,003
Operating supplies	4,438	47,091	51,529
Printing and publications	79	376	455
Equipment	1,352	15,057	16,409
Computer expenses	2,694	14,332	17,026
Insurance	336	1,830	2,166
Dues, memberships and subscriptions	15	938	953
Assistance to individuals	7,501	6,611	14,112
Interest	337	2,469	2,806
Other	210	691	901
Total direct expenses	203,049	732,756	935,805
Allocation of general and administrative	34,992	123,294	158,286
Total expenses before depreciation and amortization	238,041	856,050	1,094,091
Depreciation and amortization	2,299	55,326	57,625
Total expenses	240,340	911,376	1,151,716
Program net loss	\$ (21,796)	(62,733)	(84,529)



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

Supplemental Schedule - Balance Sheet Information of  
San Jose Mission Phase II & III

June 30, 2011

**Assets**

Current assets:

Cash and cash equivalents:

Operating cash	\$ 42,871
Reserve account	60,567
Security deposits	7,143
Accounts receivable, less allowance for doubtful accounts of \$337	103

Total current assets 110,684

Property and equipment:

Land	302,899
Buildings and improvements	7,973,497
Furniture and equipment	43,093
	8,319,489
Accumulated depreciation	(468,769)
	7,850,720

Amounts due from affiliate 51,683

\$ 8,013,087

**Liabilities and Net Assets**

Current liabilities:

Current installments of long-term debt	\$ 167,666
Accounts payable	26,063
Accrued expenses	7,500
Deferred revenue	1,904
Security deposits liability	7,450

Total current liabilities 210,583

Long-term debt, excluding current installments 3,712,545

Total liabilities 3,923,128

Net assets:

Unrestricted	(503,781)
Temporarily restricted	4,593,740

Total net assets 4,089,959

\$ 8,013,087

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

Supplemental Schedule - Statement of Activities Information of  
San Jose Mission Phase II & III

Year ended June 30, 2011

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Operating Support and Revenue:</b>			
<i>Revenue:</i>			
Rental income			
Tenant rent	\$ 89,394	-	89,394
USDA subsidy	247,352	-	247,352
Tenant charges	463	-	463
Laundry income	3,218	-	3,218
Interest income	23	-	23
Other	360	-	360
	340,810	-	340,810
 <i>Net assets released from restrictions:</i>			
Expiration of time restrictions on capital assets	149,515	(149,515)	-
	149,515	(149,515)	-
Total operating support and revenue	490,325	(149,515)	340,810
 <b>Operating Expenses:</b>			
Salaries and wages	40,579	-	40,579
Payroll taxes and benefits	13,146	-	13,146
Management fees	21,908	-	21,908
Contractor expenses	6,927	-	6,927
Utilities	23,028	-	23,028
Grounds maintenance and supplies	6,644	-	6,644
Security expenses	3,417	-	3,417
Insurance	322	-	322
Interest	162,889	-	162,889
Other	5,172	-	5,172
Depreciation	235,233	-	235,233
	519,265	-	519,265
Total operating expenses	519,265	-	519,265
Decrease in unrestricted net assets from operations	(28,940)	(149,515)	(178,455)
 <b>Other changes:</b>			
Contributions of below market interest loans	-	205,731	205,731
Increase (decrease) in unrestricted net assets	(28,940)	56,216	27,276
Net assets at beginning of year	(474,841)	4,537,524	4,062,683
Net assets at end of year	\$ (503,781)	4,593,740	4,089,959

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

Supplementary Schedule - Statement of Cash Flow Information of  
San Jose Mission Phase II & III

Year ended June 30, 2011  
(Page 1 of 2)

**Cash flows from operating activities:**

Cash receipts from rentals	\$	84,870
USDA subsidy receipts		263,735
Tenant charges		463
Laundry receipts		3,218
Interest received		24
Other revenue received		360
		352,670

Expenses paid:

Salaries and wages		40,579
Payroll taxes and benefits		13,147
Management fees		14,408
Contracted expenses		6,927
Grounds maintenance and supplies		3,608
Security expenses		3,417
Insurance		322
Interest		39,030
Other		5,353
		126,791

Net cash provided by operating activities		225,879
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**Cash flows from investing activities:**

Advances paid to affiliate		(51,683)
Deposits to the reserve for replacements account		(48,220)

Net cash used in investing activities		(99,903)
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**Cash flows from financing activities:**

Proceeds received from issuance of long-term debt		1,380
Principal payments on long-term debt		(141,632)

Net cash used in financing activities		(140,252)
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Net increase in cash		(14,276)
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Cash at beginning of year		57,147
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Cash at end of year	\$	42,871
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**Supplemental cash flow information:**

Refinance accrued interest expense	\$	100,120
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**CATHOLIC CHARITIES,  
DIOCESE OF ST. PETERSBURG, INC. AND AFFILIATES**

Supplementary Schedule - Statement of Cash Flow Information of  
San Jose Mission Phase II & III

Year ended June 30, 2011

(Page 2 of 2)

**Reconciliation of Change in Net Assets to Net Cash  
Provided By Operating Activities:**

Change in net assets	\$ 27,276
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation and amortization	235,233
Amortization of discount on notes payable	123,859
Bad debt expense	6
Noncash contributions arising from below market interest loans	(205,731)
Changes in assets and liabilities:	
Decrease in accounts receivable	16,690
Increase in accounts payable	26,063
Increase in accrued expenses	7,313
Decrease in deferred revenue	<u>(4,830)</u>
Net cash provided by operating activities	\$ <u><u>225,879</u></u>

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

Combining Schedule of Financial Position

June 30, 2011

<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>Catholic Charities Arbor Villas, Inc.</u>	<u>Catholic Charities Alicia Arms, Inc.</u>	<u>Catholic Charities Sand Dollar, Inc.</u>	<u>Catholic Charities Fountainview Inc.</u>	<u>Eliminations</u>	<u>Combined Total</u>
Current assets:										
Cash and cash equivalents	\$ 716,740	274,266	-	207,163	164,834	14,585	5,786	-	-	1,383,374
Receivables:										
Grants and contracts	935,385	-	-	-	-	-	-	-	-	935,385
Client service fees	39,880	4,115	-	6,952	3,155	5,755	-	-	-	59,857
Contributions	72,375	-	-	-	-	-	-	-	-	72,375
Other	109,782	-	-	149,380	-	-	-	-	-	259,162
Affiliates	-	1,198,380	-	555,654	-	-	-	(1,754,034)	-	-
Current installments of loans receivable	32,513	-	-	-	-	-	-	-	-	32,513
Properties held for sale	142,491	-	-	-	-	-	-	-	-	142,491
Prepaid expenses and other current assets	34,581	514	-	15,491	-	860	1,210	-	-	52,656
Total current assets	2,083,747	1,477,275	-	934,640	167,989	21,200	6,996	-	(1,754,034)	2,937,813
Investment in common stock, at fair value	43,552	-	-	-	-	-	-	-	-	43,552
Cash restricted for long-term investment by donor	97,513	-	-	-	-	-	-	-	-	97,513
Investments restricted for long-term purposes under bond indenture	-	296,441	-	-	-	-	-	-	-	296,441
Loans receivable, less current installments	41,193	-	-	-	-	-	-	-	-	41,193
Beneficial interest in assets held by others	24,528	-	-	-	-	-	-	-	-	24,528
Advances to affiliates	110,000	-	-	-	-	-	-	(110,000)	-	-
Land, buildings and equipment, net	1,445,145	21,906,525	-	61,007	2,457,351	2,884,651	973,252	-	-	29,727,931
Receivable from remainder trust	76,220	-	-	-	-	-	-	-	-	76,220
Other assets	21,289	48,215	-	-	500	2,639	-	-	-	72,643
	<u>\$ 3,943,187</u>	<u>23,728,456</u>	<u>-</u>	<u>995,647</u>	<u>2,625,840</u>	<u>2,908,490</u>	<u>980,248</u>	<u>-</u>	<u>(1,864,034)</u>	<u>33,317,834</u>

**Liabilities and Net Assets (Deficit)**

Current liabilities:

Bank overdraft	\$	162,002	-	-	-	-	-	-	-	162,002
Line of credit		209,181	-	-	-	-	-	-	-	209,181
Current installments of long-term debt		470,112	285,544	-	150,000	-	-	-	-	905,656
Accounts payable - trade		521,824	-	-	234	16,464	328	2,876	-	541,726
Accounts payable - construction		-	149,740	-	-	-	369,461	-	-	519,201
Accrued expenses		218,073	110,191	-	74,290	527	6,295	30,606	-	439,982
Due to affiliates		1,419,946	-	295,421	-	22,847	1,859	13,956	5	(1,754,034)
Deferred revenue		35,595	29,789	-	27,883	25,195	1,500	-	-	119,962
		<u>3,036,733</u>	<u>575,264</u>	<u>295,421</u>	<u>252,407</u>	<u>65,033</u>	<u>379,443</u>	<u>47,438</u>	<u>5</u>	<u>(1,754,034)</u>
Total current liabilities										2,897,710
Advance from United States Conference of Catholic Bishops		23,500	-	-	-	-	-	-	-	23,500
Advances to affiliates		-	110,000	-	-	-	-	-	(110,000)	-
Long-term debt, excluding current installments		175,946	7,223,560	-	-	215,169	632,588	740,758	-	8,988,021
		<u>3,236,179</u>	<u>7,908,824</u>	<u>295,421</u>	<u>252,407</u>	<u>280,202</u>	<u>1,012,031</u>	<u>788,196</u>	<u>5</u>	<u>(1,864,034)</u>
Total liabilities										11,909,231
Net assets (deficit):										
Unrestricted:										
Undesignated		(762,264)	3,265,390	(295,421)	730,122	29,842	(69,343)	(66,979)	(5)	2,831,342
Designated for long-term investment under bond indenture		-	296,441	-	-	-	-	-	-	296,441
Temporarily restricted		1,371,709	12,257,801	-	13,118	2,315,796	1,965,802	259,031	-	18,183,257
Permanently restricted		97,563	-	-	-	-	-	-	-	97,563
		<u>707,008</u>	<u>15,819,632</u>	<u>(295,421)</u>	<u>743,240</u>	<u>2,345,638</u>	<u>1,896,459</u>	<u>192,052</u>	<u>(5)</u>	<u>21,408,603</u>
Total net assets (deficit)										
	\$	<u>3,943,187</u>	<u>23,728,456</u>	<u>-</u>	<u>995,647</u>	<u>2,625,840</u>	<u>2,908,490</u>	<u>980,248</u>	<u>-</u>	<u>(1,864,034)</u>
										33,317,834

**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, 2011

	<b>Catholic Charities, Diocese of St. Petersburg, Inc.</b>	<b>Catholic Charities Housing, Inc.</b>	<b>Catholic Charities Foundation of Tampa Bay, Inc.</b>	<b>Catholic Charities Community Development Corporation</b>	<b>Catholic Charities Arbor Villas, Inc.</b>	<b>Catholic Charities Alicia Arms, Inc.</b>	<b>Catholic Charities Sand Dollar, Inc.</b>	<b>Catholic Charities Fountainview Inc.</b>	<b>Eliminations</b>	<b>Combined Total</b>
<b>Operating Support and revenue:</b>										
<i>Public support:</i>										
Special events revenue	\$ 167,528	-	-	-	-	-	-	-	167,528	
Less special event expenses	(25,848)	-	-	-	-	-	-	-	(25,848)	
Net revenue from special events	<u>141,680</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>141,680</u>	
Diocesan subsidy	927,000	25,000	-	-	-	-	-	-	952,000	
Contributions and bequests	632,787	295,224	-	478	-	-	-	-	928,489	
In-kind contributions	1,171,935	-	-	-	-	-	-	-	1,171,935	
United Way allocations	203,195	-	-	-	-	-	-	-	203,195	
	<u>2,934,917</u>	<u>320,224</u>	<u>-</u>	<u>478</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,255,619</u>	
<i>Revenue:</i>										
Client service fees	513,619	-	-	-	-	-	-	-	513,619	
Reimbursement of direct and indirect costs of providing program services by government and other agencies	5,471,330	3,300	-	140,487	-	-	-	-	5,615,117	
Interest income	9,736	25	-	62	1	-	-	-	9,824	
Rental income	191,710	860,023	-	762,872	270,827	83,570	69,204	-	2,238,206	
Management fee income	-	-	-	499,473	-	-	-	(115,568)	383,905	
Other	127,887	834	-	1,866	26,583	33,000	15,205	(78,113)	127,262	
	<u>6,314,282</u>	<u>864,182</u>	<u>-</u>	<u>1,404,760</u>	<u>297,411</u>	<u>116,570</u>	<u>84,409</u>	<u>(193,681)</u>	<u>8,887,933</u>	
<i>Net assets released from restrictions:</i>										
Expiration of time restrictions on capital assets	79,404	393,136	-	5,620	-	-	-	-	478,160	
Expiration of other time restrictions	102,930	148,906	-	-	-	-	-	-	251,836	
Satisfaction of donor use restrictions	445,136	6,309	-	-	-	-	-	-	451,445	
	<u>627,470</u>	<u>548,351</u>	<u>-</u>	<u>5,620</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,181,441</u>	
<b>Total operating support and revenue</b>	<u>10,018,349</u>	<u>1,732,757</u>	<u>-</u>	<u>1,410,858</u>	<u>297,411</u>	<u>116,570</u>	<u>84,409</u>	<u>(193,681)</u>	<u>13,466,673</u>	

**Operating Expenses:**

Program services	9,095,432	1,377,441	-	1,402,075	257,298	169,860	151,388	-	(115,568)	12,337,926
Supporting services	<u>1,332,452</u>	<u>18,155</u>	<u>-</u>	<u>49,608</u>	<u>10,271</u>	<u>74</u>	<u>-</u>	<u>5</u>	<u>(78,113)</u>	<u>1,332,452</u>
Total operating expenses	<u>10,427,884</u>	<u>1,395,596</u>	<u>-</u>	<u>1,451,683</u>	<u>267,569</u>	<u>169,934</u>	<u>151,388</u>	<u>5</u>	<u>(193,681)</u>	<u>13,670,378</u>
Increase in net assets from operations	(409,535)	337,161	-	(40,825)	29,842	(53,364)	(66,979)	(5)	-	(203,705)
<b>Other changes:</b>										
Net unrealized gain on investment in common stock	13,381	-	-	-	-	-	-	-	-	13,381
Gain (loss) on disposal of property and equipment	(39,050)	(7,414)	-	(1,359)	-	-	-	-	-	(47,823)
Transfer assets	-	15,979	-	-	-	(15,979)	-	-	-	-
Donated properties and vehicles	106,011	-	-	-	-	-	-	-	-	106,011
Net assets released from restriction - satisfaction of capital expenditure restrictions	<u>8,696</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,696</u>
Increase (decrease) in unrestricted net assets	(320,497)	345,726	-	(42,184)	29,842	(69,343)	(66,979)	(5)	-	(123,440)
Unrestricted net assets (deficit) at beginning of year	<u>(441,767)</u>	<u>3,216,105</u>	<u>(295,421)</u>	<u>772,306</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,251,223</u>
Unrestricted net assets (deficit) at end of year	<u>\$ (762,264)</u>	<u>3,561,831</u>	<u>(295,421)</u>	<u>730,122</u>	<u>29,842</u>	<u>(69,343)</u>	<u>(66,979)</u>	<u>(5)</u>	<u>-</u>	<u>3,127,783</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/CFE, CVA  
Tracey McDonald, CPA\*  
Kathy Mills, CPA\*/ABV/CFE, CVA  
Anthony S. Phillips, CPA\*/ABV/CFE  
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, 2011, and have issued our report thereon dated December 12, 2011. 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 2011-01 and 2011-02). 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.

*Jennis, Birch & Ricard, LLC*

Clearwater, Florida  
December 12, 2011



Members:

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Betty Isler, CPA\*  
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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 Federal 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, 2011. 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, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2011-03.

## 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We do not consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2011-03 to be a significant deficiency.

The Organization's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Organization's responses and, accordingly, we express no opinion on the responses.

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, Brich & Ricardo, LLC*

Clearwater, Florida  
December 12, 2011

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

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

(Page 1 of 3)

**(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. Two 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. One significant deficiency was 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:
    - Refugee and Entrant Assistance - Discretionary Grants (CFDA No. 93.576)
    - Homeless Prevention and Rapid Re-Housing Program
    - Recovery Act Funded (CFDA No. 14.257)
    - Neighborhood Stabilization Program (CFDA No. 14.256)
  - State:
    - State Housing Initiatives Partnership Program (CSFA No. 52.901)
8. The threshold for distinguishing Types A and B programs was \$496,296 for major federal programs and \$300,000 for major state projects.
9. Catholic Charities, Diocese of St. Petersburg, Inc. and Affiliates were determined to be low-risk auditees.

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

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

(Page 2 of 3)

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

*Significant Deficiencies*

**Item 2011-01 *Accounts Payable Processing***

*Condition:* The Organization's internal control procedures over the processing of accounts payable and check disbursements, while significantly improved from fiscal 2010, were not followed consistently during 2011 and the following exceptions were noted:

- Evidence of the approval to pay the invoice was not appropriately documented for three disbursements tested out of our sample of sixty disbursements.
- Expenditures were approved by a program manager where the amount approved exceeded the manager's authorized limit for three disbursements tested out of our sample of sixty disbursements.

*Criteria:* Internal control procedures should be in place that provide reasonable assurance that all invoices are appropriately approved prior to payment.

*Effect:* Check disbursements may be made for unapproved expenditures.

*Recommendation:*

Internal controls over accounts payable and check disbursement processing should be further strengthened to reduce the likelihood of these errors from recurring. Approval of invoices and check disbursements should be consistent, comply with Organization policies and be well documented.

**Item 2011-02 *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.

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

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

(Page 3 of 3)

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

**Item 2011-03** US Department of Health and Human Services  
Grant No. 90RG0084/01; Grant Period September 30, 2009 to September 29, 2010  
CFDA No. 93.576 Refugee and Entrant Assistance - Discretionary Grants

*Significant Deficiency*

*Condition:* During our testing of reporting requirements for the Microenterprise Loan Program, we determined the Loan Data section of the Semi-Annual Performance report did not accurately reflect the loans outstanding and their status.

*Criteria:* Records should be maintained to support each loan and accurately track its status.

*Effect:* Program activity could be improperly reported.

*Recommendation:*

Internal control procedures should be implemented to ensure that each loan is properly documented by a loan agreement; that aging reports of outstanding loans are accurately prepared and that reports required under funding agreements agree to the underlying records.

**(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, 2011  
(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, 2011.

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, 2011 are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

**FINDINGS - FINANCIAL STATEMENT AUDIT**

**SIGNIFICANT DEFICIENCIES**

***2011-01 Accounts Payable Processing***

*Recommendation:* Internal controls over accounts payable and check disbursement processing should be further strengthened to reduce the likelihood of these errors from recurring. Approval of invoices and check disbursements should be consistent, comply with Organization policies and be well documented.

*Corrective Action Planned:*

On December 14, 2011 the Chief Operating Officer reviewed and discussed with the Leadership Team the Purchasing Standards Policy and the need for full compliance. The Finance staff will not pay any invoice without proper documentation of approval.

***2011-02 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, 2011

(Page 2 of 2)

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

*Corrective Action Planned:*

A memo has been sent to each employee informing them of their proper cost center numbers and employees have been reminded of the importance of accurately recording their time based on actual hours worked. The employee time sheet has been improved to accurately calculate the employee's time worked on a daily basis. The process to update employee pay rates in the payroll system will be modified to ensure all changes are promptly and accurately entered in the system and periodic internal audits will be conducted to ensure the payroll system matches information in employee files.

**FINDINGS - MAJOR FEDERAL AWARD PROGRAMS**

*U.S. Department of Health and Human Services*

**Item 2011-03**      US Department of Health and Human Services  
Grant No. 90RG0084/01; Grant Period September 30, 2009 to September 29, 2010  
CFDA No. 93.576 Refugee and Entrant Assistance - Discretionary Grants

**SIGNIFICANT DEFICIENCY**

*Recommendation:*

Internal control procedures should be implemented to ensure that each loan is properly documented by a loan agreement; that aging reports of outstanding loans are accurately prepared and that reports required under funding agreements agree to the underlying records.

*Corrective Action Planned:*

Procedures have been modified to ensure each loan is supported by an executed promissory note when the loan proceeds are disbursed. In addition, procedures for recording loan payments have been modified to ensure aging schedules reflect the true status of each loan. Reports of loan activity will be reviewed by management to ensure they accurately reflect the status of each loan.

Members:

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

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, 2011, and have issued our report thereon dated December 12, 2011.

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 12, 2011, 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. While significantly improved from fiscal 2010, we continue to note that, in certain instances, payments were made based on credit card statement balances without reconciling the underlying charges to supporting receipts. We recommend that the Organization further improve the procedures for obtaining and reconciling support for credit card charges to the monthly statement.

*Managements Response:*

The Organization will continue to improve the process of obtaining support for each credit card charge and ensuring the statement and the support is properly reconciled before payments are issued.

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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,

*Lewis, Birch & Ricardo, LLC*

Clearwater, Florida  
December 12, 2011