

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

Of Counsel:

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

**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, 2013 and 2012

**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 financial statements of Catholic Charities, Diocese of St. Petersburg, Inc. and Affiliates (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, 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, the related combined statement of functional expenses for the year ended June 30, 2013, and the related notes to the combined financial statements.

Managements Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Catholic Charities, Diocese of St. Petersburg, Inc. and Affiliates as of June 30, 2013 and 2012, and the changes in their net assets and their cash flows for the years then ended, and their functional expenses for the year ended June 30, 2013, in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Catholic Charities, Diocese of St. Petersburg, Inc. and Affiliates' 2012 combined financial statements, and our report dated December 6, 2012 expressed an unmodified opinion on those audited combined financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the combined financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and by Chapter 10.650, *Rules of the State of Florida Auditor General*, is presented for purposes of additional analysis and is also not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2013, on our consideration of Catholic Charities, Diocese of St. Petersburg, Inc. and Affiliates' internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Catholic Charities, Diocese of St. Petersburg, Inc. and Affiliates' internal control over financial reporting and compliance.

Lewis, Birch & Ricardo, LLC

Clearwater, Florida

November 18, 2013

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

Combined Statements of Financial Position

June 30, 2013 and 2012

<u>Assets</u>	<u>2013</u>	<u>2012</u>
Current assets:		
Cash and cash equivalents (including restricted cash of \$1,859,189 and \$625,659 in 2013 and 2012, respectively) (notes 4 and 7)	\$ 2,645,241	1,514,387
Receivables:		
Grants and contracts (note 7)	660,951	730,301
Client service fees, net of allowance for doubtful accounts of \$19,437 and \$48,001 in 2013 and 2012, respectively	75,430	79,962
Contributions	45,824	47,820
Other	175,480	251,712
Current installments of loans receivable	143,167	105,606
Prepaid expenses and other current assets	<u>53,774</u>	<u>52,294</u>
Total current assets	3,799,867	2,782,082
Investments in common stock, at fair value (note 13)	55,430	46,998
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)	296,506	296,458
Loans receivable, less current installments	78,239	60,965
Beneficial interest in assets held by others (notes 9 and 13)	27,863	24,457
Land, buildings and equipment, net (notes 2, 3, and 10)	33,195,205	30,887,130
Receivable from remainder trust (notes 8 and 13)	77,267	66,642
Other assets	<u>72,304</u>	<u>72,315</u>
	<u>\$ 37,700,194</u>	<u>34,334,560</u>

See accompanying notes to combined financial statements.

<u>Liabilities and Net Assets</u>	<u>2013</u>	<u>2012</u>
Current liabilities:		
Bank overdraft	\$ 74,142	118,291
Line of credit (note 3)	199,139	43,681
Current installments of long-term debt (note 3)	909,151	555,223
Accounts payable - trade (note 4)	333,001	344,096
Accounts payable - construction	75,705	15,250
Accrued expenses	409,377	256,363
Deferred revenue	174,342	194,652
	<hr/>	<hr/>
Total current liabilities	2,174,857	1,527,556
Advance from United States Conference of Catholic Bishops	23,500	23,500
Long-term debt, excluding current installments (note 3)	14,054,551	11,562,934
	<hr/>	<hr/>
Total liabilities	16,252,908	13,113,990
Net assets:		
Unrestricted-		
Undesignated	2,456,785	3,000,027
Designated for long-term investment under bond indenture	296,506	296,458
	<hr/>	<hr/>
	2,753,291	3,296,485
Temporarily restricted (note 10)	18,596,432	17,826,522
Permanently restricted (note 10)	97,563	97,563
	<hr/>	<hr/>
Total net assets	21,447,286	21,220,570
Commitments, contingencies and related party transactions (notes 4, 5 and 14)		
	<hr/>	<hr/>
	\$ 37,700,194	34,334,560
	<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, 2013 and 2012
(Page 1 of 2)

	2013	2012
Operating Support and Revenue (note 7):		
<i>Public support:</i>		
Special events revenue	\$ 222,993	188,813
Less special event expenses	(54,786)	(36,829)
Net revenue from special events	168,207	151,984
Diocesan subsidy (note 4)	970,200	958,377
Contributions and bequests	735,330	599,343
In-kind contributions (note 11)	1,023,601	1,213,044
United Way allocations	223,455	226,568
	2,952,586	2,997,332
<i>Revenue:</i>		
Client service fees	827,773	667,098
Reimbursement of direct and indirect costs of providing program services by government and other agencies	3,645,780	4,404,978
Interest income	29,606	22,498
Rental income	3,076,959	2,295,871
Management fee income	500,873	733,505
Other	117,258	85,119
	8,198,249	8,209,069
<i>Net assets released from restrictions:</i>		
Expiration of time restrictions on capital assets	495,410	485,840
Expiration of other time restrictions	254,350	355,753
Satisfaction of donor use restrictions	36,443	193,905
	786,203	1,035,498
Total operating support and revenue	12,105,245	12,393,883
Operating Expenses:		
Program services	11,093,565	11,443,747
Supporting services	1,499,612	1,308,068
	12,593,177	12,751,815
Decrease in unrestricted net assets from operations	(487,932)	(357,932)

**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, 2013 and 2012
(Page 2 of 2)

	2013	2012
Other changes:		
Net unrealized gain on investment in common stock	\$ 8,432	3,446
Gain (loss) on disposal of property and equipment	(65,402)	119,835
Change in loan discount from refinancing	-	(910,689)
Donated properties and vehicles	-	17,285
Capital funding for developer fees	-	325,324
Net assets released from restriction:		
Change in loan discount from refinancing	-	910,689
Satisfaction of capital expenditure restrictions	1,708	60,744
	(543,194)	168,702
Increase (decrease) in unrestricted net assets		
Unrestricted net assets at beginning of year	3,296,485	3,127,783
Unrestricted net assets at end of year	\$ 2,753,291	3,296,485

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, 2013 and 2012

	2013	2012
Unrestricted net assets:		
Total unrestricted operating support and revenue	\$ 11,319,042	11,358,385
Total unrestricted operating expenses	(12,593,177)	(12,751,815)
Net unrealized gain on investment in common stock	8,432	3,446
Gain (loss) on disposal of property and equipment	(65,402)	119,835
Change in loan discount from refinancing	-	(910,689)
Donated properties and vehicles	-	17,285
Capital funding for developer fees	-	325,324
Net assets released from restrictions	787,911	2,006,931
Increase (decrease) in unrestricted net assets	(543,194)	168,702
Temporarily restricted net assets:		
Contributions and bequests	-	335,600
United Way allocations	45,824	47,820
Capital grants and contributions (note 3)	1,501,372	1,276,353
Change in value of remainder trust	10,625	(9,577)
Net assets released from restrictions	(787,911)	(2,006,931)
Increase (decrease) in temporarily restricted net assets	769,910	(356,735)
Increase (decrease) in net assets	226,716	(188,033)
Net assets at beginning of year	21,220,570	21,408,603
Net assets at end of year	\$ 21,447,286	21,220,570

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, 2013
(With comparative totals for 2012)

	Neighborhood Stabilization Program	Other Housing Programs	Immigration and Refugee Programs	Pregnancy, Parenting Support and Adoption Programs	Pathways	Other Program Services	Total Program Services	Supporting Services			Total Expenses	
								General and Administrative	Development	Total Supporting Services	2013	2012
Salaries and wages	\$ 625	1,428,480	298,795	295,636	67,475	338,793	2,429,804	628,037	31,549	659,586	3,089,390	3,302,044
Employee benefits and payroll taxes	52	545,929	136,974	96,545	16,336	134,182	930,018	225,225	10,411	235,636	1,165,654	1,222,455
Contractor expenses	12,463	76,408	4,454	10,255	11,730	138,945	254,255	33,795	21,600	55,395	309,650	317,097
Professional fees	153,449	115,865	-	35,256	-	9,693	314,263	130,277	4,576	134,853	449,116	404,830
Travel expenses	376	46,303	11,500	9,711	1,640	14,648	84,178	11,472	-	11,472	95,650	102,422
Occupancy	235,804	966,145	21,974	45,947	23,852	65,096	1,358,818	54,849	4,108	58,957	1,417,775	1,196,342
Communications	4,824	52,346	6,566	12,553	437	26,689	103,415	27,014	1,414	28,428	131,843	121,752
Operating supplies	3,040	284,831	12,108	16,933	517	19,312	336,741	11,722	614	12,336	349,077	427,402
Printing and publications	387	2,534	416	1,922	-	1,620	6,879	1,647	-	1,647	8,526	7,414
Equipment	2,589	149,047	21,398	33,462	340	27,017	233,853	34,128	1,782	35,910	269,763	261,162
Computer expenses	7,831	46,621	8,229	4,946	586	14,815	83,028	70,553	3,712	74,265	157,293	131,604
Insurance	38,615	238,671	7,826	9,414	25	7,002	301,553	10,040	640	10,680	312,233	189,520
Dues, memberships and subscriptions	108	7,502	1,603	1,303	-	401	10,917	9,681	-	9,681	20,598	21,626
Assistance to individuals	-	548,574	353,942	44,135	261,282	94,699	1,302,632	1,311	-	1,311	1,303,943	1,300,479
In-kind (note 11)	-	809,108	48,523	125,301	-	40,669	1,023,601	-	-	-	1,023,601	1,213,044
Interest	77,018	329,660	3,975	4,273	35	3,940	418,901	37,770	-	37,770	456,671	503,853
Other	85,217	93,305	22,357	18,441	5	5,362	224,687	128,153	897	129,050	353,737	411,007
Total direct expenses	622,398	5,741,329	960,640	766,033	384,260	942,883	9,417,543	1,415,674	81,303	1,496,977	10,914,520	11,134,053
Depreciation and amortization	306,750	1,280,215	19,676	28,995	4,252	36,134	1,676,022	2,635	-	2,635	1,678,657	1,617,762
Total expenses	\$ 929,148	7,021,544	980,316	795,028	388,512	979,017	11,093,565	1,418,309	81,303	1,499,612	12,593,177	12,751,815

See accompanying notes to combined financial statements.

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

Combined Statements of Cash Flows

Years ended June 30, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 226,716	(188,033)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,678,657	1,617,762
Loss (gain) on disposal of property and equipment	65,402	(119,835)
Increase in allowance for doubtful accounts	10,764	85,742
Donated properties	-	(352,885)
Net unrealized gain on investment in common stock	(8,432)	(3,446)
Amortization of discount on notes payable	263,559	1,160,693
Change in value of assets held by others	(3,406)	71
Change in value of remainder trust	(10,625)	9,577
Cash received under government grants and other contributions for acquisition of capital assets	(81,973)	-
Noncash contributions arising from below market interest loans	(1,382,669)	(946,679)
Changes in assets and liabilities:		
Decrease in receivables	152,110	216,984
Increase in prepaid expenses and other assets	(4,839)	(1,823)
Decrease in bank overdraft	(44,149)	(43,711)
Increase (decrease) in accounts payable	49,360	(701,581)
Increase (decrease) in accrued expenses	153,014	(183,619)
Increase (decrease) in deferred revenue	(20,310)	74,690
	<u>1,043,179</u>	<u>623,907</u>
Net cash provided by operating activities		
Cash flows from investing activities (note 12):		
Proceeds from sale of property and equipment	10,950	373,124
Purchases of property and equipment	(2,913,709)	(1,110,851)
Increase in cash restricted for bonds	(48)	(17)
Loans made to program participants	(174,053)	(248,830)
Cash collections from loans to program participants	108,454	70,223
	<u>(2,968,406)</u>	<u>(916,351)</u>
Net cash used in investing activities		
Cash flows from financing activities (note 12):		
Proceeds received from issuance of long-term debt	3,425,215	1,950,003
Principal payments on long-term debt	(606,565)	(1,361,046)
Net advances (repayments) on line of credit	155,458	(165,500)
Cash received under governmental grants and other contributions for acquisition of capital assets	81,973	-
	<u>3,056,081</u>	<u>423,457</u>
Net cash provided by financing activities		
Net increase in cash and cash equivalents	1,130,854	131,013
Cash and cash equivalents at beginning of year	<u>1,514,387</u>	<u>1,383,374</u>
Cash and cash equivalents at end of year	<u>\$ 2,645,241</u>	<u>1,514,387</u>

See accompanying notes to combined financial statements.

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

Notes to Combined Financial Statements

June 30, 2013 and 2012

(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., Catholic Charities Fountain View, Inc., Catholic Charities Palm Island, Inc., Catholic Charities Pinellas Village, Inc. and Catholic Charities Benedict Haven, 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 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., Catholic Charities Fountain View, Inc., Catholic Charities Palm Island, Inc., Catholic Charities Pinellas Village, Inc. and Catholic Charities Benedict Haven, 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, 2012, from which the summarized information was derived.

(d) Financial Accounting Standards

The Financial Accounting Standards Board (FASB) has issued authoritative guidance establishing two levels of U.S. generally accepted accounting principles (GAAP) - authoritative and non-authoritative - 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 is incorporated into ASC Topic 105 - Generally Accepted Accounting Principles.

(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) Accounts Receivable

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

(g) Investments

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

(Continued)

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

Notes to Combined Financial Statements

(h) 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. Property acquired with governmental funds is considered to be owned by the Organization while used in the program for which it was purchased or in future authorized programs; however, its disposition as well as ownership of any proceeds received therefrom is subject to applicable regulations. 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

(i) 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.

(j) 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.

(k) 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, *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, 2009 remain subject to examination.

(Continued)

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

Notes to Combined Financial Statements

(l) 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 for the asset or liability (Level 3).

(m) Reclassifications

Certain amounts in the 2012 combined financial statements have been reclassified to conform to the 2013 presentation.

(n) Cash Equivalents and Restricted Cash

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

Restricted cash as of June 30, 2013 and 2012 consists of the following:

	2013	2012
Cash restricted for various programs	\$ 1,229,102	288,989
Reserves for replacement	462,464	241,100
Cash restricted for startup costs of HUD 202 projects	52,460	54,085
Security deposits	115,163	41,485
	\$ 1,859,189	625,659

(o) 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, 2013 and 2012:

	2013	2012
Land	\$ 3,494,719	3,477,469
Buildings and improvements	36,281,206	34,883,914
Leasehold improvements	50,994	56,148
Vehicles	411,629	329,243
Furniture and equipment	1,071,996	1,119,613
Construction in progress	2,371,269	30,706
	43,681,813	39,897,093
 Less accumulated depreciation and amortization	 (10,486,608)	 (9,009,964)
	 \$ 33,195,205	 30,887,129

Depreciation expense for the years ended June 30, 2013 and 2012 was \$1,675,287 and \$1,615,249, respectively. Certain buildings and improvements have been funded by governmental grants subject to land use restriction agreements which require the Organization to use the corresponding facility for its intended purpose for a specified period.

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

The Organization has a revolving line of credit with a commercial bank that allows the Organization to borrow up to \$300,000 at the greater of 3% or one month LIBOR plus 1.78%. 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 6, 2012 and was renewed through August 4, 2014. The outstanding balance on the line of credit was \$199,139 and \$43,681 at June 30, 2013 and 2012, respectively. The line contains covenants that require the Organization to maintain certain financial ratios and limits certain activities of the Organization. The Organization was in compliance with these covenants at June 30, 2013 and 2012, respectively.

(Continued)

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

Notes to Combined Financial Statements

Long-term debt consists of the following at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
5.4% Industrial Revenue Bonds; interest only of \$11,250 due in monthly installments through January 2003; then principal and interest payments of \$17,056 through January 2013; monthly payments of principal and interest thereafter at LIBOR plus 2% through January 2023; secured by real property.	\$ 1,509,589	1,645,629
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 the property.	750,000	750,000
6.25% mortgage note payable in monthly installments of \$2,327, including interest, through May 2021, balloon payment due June 2021; secured by real property and cross collateralized.	340,066	346,621
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 August 2012. Note converted to a 3.2% promissory note due in monthly installments of \$4,080, including interest, through May 2017, with a final balloon payment due June 2017; guaranteed by the Diocese.	226,360	277,204
1% mortgage note payable to USDA in monthly installments of \$2,885, including interest, through September 2043; secured by real property.	903,488	926,851
1% mortgage note payable to USDA in monthly installments of \$9,433, including interest, through September 2043; secured by real property.	2,953,681	3,030,061
Non-interest bearing promissory note payable to City of Largo in monthly installments of \$654 starting October 2015 through June 2030; secured by real property.	118,304	118,304

(Continued)

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

Notes to Combined Financial Statements

Non-interest bearing promissory note payable to Florida Housing Finance Corporation with balloon payment due August 2024; secured by real property.	\$ 2,250,000	2,250,000
Non-interest bearing promissory note payable to the City of Tampa with a balloon payment due April 2040; secured by real property.	3,292,919	3,292,919
3.5% promissory note payable to the Diocese in monthly installments of \$5,000, including interest; unsecured.	83,321	138,975
Non-interest bearing note payable to the Diocese at a future date to be determined; unsecured.	150,000	150,000
Non-interest bearing promissory notes payable to Hillsborough County in annual installments 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.	1,530,965	1,530,965
3% note payable, no payments due the first year, interest only payments the second year, then annual installments of \$45,783, including interest, through July 2050; secured by real property.	2,862,472	999,789
3% mortgage note payable to a commercial bank due in monthly installments of \$3,333, plus interest, through September 2021 with a final balloon payment due October 2021; secured by real property.	750,000	970,000
Non-interest bearing note payable to Pasco County in annual installments of \$12,500 through April 2032.	250,000	250,000

(Continued)

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

Notes to Combined Financial Statements

Non-interest bearing promissory note payable to Pasco County with a balloon payment due April 2062; secured by real property.	\$ 689,616	325,425
3.6% promissory note payable to a commercial bank due in interest only installments through February 2013, then due in monthly installments of \$6,175, including interest, from March 2013 through April 2020, with a final balloon payment due May 2020; guaranteed by the Diocese.	2,471,229	1,055,272
Non-interest bearing loan payable to City of St. Petersburg. Payment is deferred until October 31, 2042, thereafter in annual installments of \$43,783 through July 2050. Secured by real property.	781,814	-
1% promissory loan payable to the Florida Housing Finance Corporation with balloon payment due November 2013; secured by real property.	<u>108,845</u>	<u>-</u>
Total long-term debt	25,499,131	21,534,477
Less unamortized discounts	10,535,429	9,416,320
Less current installments	<u>909,151</u>	<u>555,223</u>
Long-term debt, net of unamortized discounts, excluding current installments	<u>\$ 14,054,551</u>	<u>11,562,934</u>

During 2012, the Organization borrowed \$1,055,272 to acquire Pinellas Village apartments. The loan is guaranteed by the Diocese and title to the property is subject to pre-existing land use restriction agreements with various funding sources.

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, 2013, the Organization was in compliance with these financial covenants.

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

Notes to Combined Financial Statements

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 \$290,906 and \$282,754 at June 30, 2013 and 2012, respectively.

During fiscal year 2013, the Organization received financing from governmental entities to fund the following construction projects: financing from the City of St. Petersburg Neighborhood Stabilization Program (NSP) to fund renovations at Fountainview Apartments; additional financing from Hillsborough County NSP to fund renovations at Sand Dollar Apartments; and additional financing from Pasco County NSP to fund renovations at Palm Island Apartments.

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 4.69% to 4.00% (representing a market rate of interest). The following table summarizes the balances of outstanding loans, unamortized discounts and the allowance for the portion of loans forgiven at June 30, 2013:

	Original Loan	Discount to net present value	Portion of loan forgiven
Fountainview Apartments:			
City of St. Petersburg	\$ 781,814	541,635	-
Sand Dollar Apartments:			
Hillsborough County	2,862,472	741,625	-
Palm Island:			
Pasco County	939,616	661,165	-
	\$ 4,583,902	1,944,425	-

(Continued)

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

Notes to Combined Financial Statements

During fiscal year 2012, 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; additional financing from the City of Tampa Neighborhood Stabilization Program (NSP) to fund renovations at Riviera Apartments; additional financing from Pasco County NSP to fund renovations at Arbor Villas Apartments. In addition, during fiscal 2012, the Organization purchased another apartment complex, Palm Island Apartments, with Neighborhood Stabilization Program funding from 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 4.00% (representing a market rate of interest). The following table summarizes the balances of outstanding loans, unamortized discounts and the allowance for the portion of loans forgiven at June 30, 2012:

	<u>Original Loan</u>	<u>Discount to net present value</u>	<u>Portion of loan forgiven</u>
Pinellas Hope II:			
City of Largo CDBG loan	\$ 118,304	45,524	-
Florida Housing Finance Corporation	3,000,000	974,611	1,300,330
Pinellas County	999,999	-	999,999
Riviera Apartments:			
City of Tampa	3,292,919	2,450,985	-
Sand Dollar Apartments:			
Hillsborough County	999,789	259,031	-
Arbor Villas Apartments:			
Pasco County	1,530,965	1,394,233	-
Palm Island:			
Pasco County	<u>575,425</u>	<u>359,754</u>	<u>-</u>
	<u>\$ 10,517,401</u>	<u>5,484,138</u>	<u>2,300,329</u>

(Continued)

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

Notes to Combined Financial Statements

The aggregate maturities of long-term debt (before discounts) for each of the five years subsequent to June 30, 2013 and thereafter are as follows:

<u>Year ending June 30:</u>	
2014	\$ 909,151
2015	631,518
2016	661,396
2017	685,693
2018	630,431
Thereafter	<u>21,980,942</u>
	<u>\$ 25,499,131</u>

(4) Related Party Transactions

The Organization had cash deposits of \$1,349,721 and \$570,094 at June 30, 2013 and 2012, respectively, with the Diocese and the Diocese provided support of \$970,200 and \$958,377 to the Organization for the years ended June 30, 2013 and 2012, 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 \$931,000 and \$868,000 for the years ended June 30, 2013 and 2012, respectively. Included in accounts payable are amounts due to the Diocese of approximately \$67,000 and \$90,000 at June 30, 2013 and 2012, respectively.

(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 \$140,000 and \$154,000 for the years ended June 30, 2013 and 2012, respectively.

Future minimum lease payments under noncancellable operating leases (with initial or remaining lease terms in excess of one year) as of June 30, 2013 are as follows:

<u>Year ending June 30:</u>	
2014	\$ 108,076
2015	98,253
2016	92,733
2017	31,800
2018	<u>4,200</u>
	<u>\$ 335,063</u>

(Continued)

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

Notes to Combined Financial Statements

(6) Pension Plan

The Organization is a participant in a noncontributory, multiemployer, defined benefit pension plan sponsored by the Diocese. The plan covers substantially all Organization employees who meet participation requirements. 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 periods of fifteen to thirty years. The Organization's total pension expense was \$281,797 and \$280,417 for the years ended June 30, 2013 and 2012, 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 vested plan benefits exceeded the net assets available for plan benefits at February 1, 2013, the most recent actuarial valuation. The Organization could, under certain circumstances, be liable for some portion of the unfunded vested benefits or other expenses of the plan.

(7) Funding and Credit Concentrations

The Organization receives the majority of its support and revenue from federal, state and local government agencies in the form of performance and expense reimbursement contracts. Continuation of the Organization's program services is greatly dependent upon the continued support of these agencies. The Organization's grants and contract receivables at June 30, 2013 and 2012 are primarily due from the aforementioned governmental agencies.

The Organization maintains demand deposit accounts with various financial institutions. Approximately \$335,000 of deposits held at these institutions exceeded federal deposit insurance limits at June 30, 2013. Approximately \$1,350,000 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.

(Continued)

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

Notes to Combined Financial Statements

(9) Funds Held by Community Foundation

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

(10) Temporary and Permanent Restrictions on Net Assets

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

	2013	2012
Contributions restricted for program activities	\$ 340,931	213,114
Capital expenditures	198,331	194,186
Facilities subject to time restrictions	7,398,649	7,888,440
Charitable remainder unitrust	77,267	66,642
United Way funding for future periods	45,824	47,820
Unamortized discounts on below market loans	10,535,430	9,416,320
	\$ 18,596,432	17,826,522

Permanently restricted net assets of \$97,563 at June 30, 2013 and 2012 relate to an endowment. Original endowment contributions of \$26,809 were received in 1998, and additional endowment contributions of \$70,754 were received in fiscal 2005. The endowment is to be held in perpetuity. Earnings on the endowment are available for unrestricted use.

(Continued)

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

Notes to Combined Financial Statements

(11) In-Kind Revenue and Expense

Certain services and rent are provided to the Organization gratis or at a cost substantially less than fair market value. The difference between the actual charge and the estimated fair market value is reflected in the accompanying combined financial statements as in-kind revenue and expense. In-kind revenue and in-kind expense consist of the following for the years ended June 30, 2013 and 2012:

	2013	2012
Services	\$ 43,928	36,356
Mileage, goods and clothing	48,523	186,350
Pregnancy and Parenting Support supplies	121,962	113,562
Pinellas Hope supplies	713,188	780,776
Land and office space	96,000	96,000
	\$ 1,023,601	1,213,044

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 13,100 volunteer hours, to be approximately \$292,000 for the year ended June 30, 2013. For the year ended June 30, 2012, management estimated the fair value of 16,900 donated volunteer hours to be approximately \$375,000. 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, 2013 and 2012, the Organization's cash payments for interest were \$250,140 and \$250,003, respectively.

During fiscal 2013 and 2012, the Organization financed the acquisition of properties totaling \$1,146,005 and \$1,564,000, respectively.

(Continued)

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

Notes to Combined Financial Statements

(13) Fair Value Measurements

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

Level 1 - Quoted prices are available in active markets for identical investments as of the reporting date. The types of investments included in Level 1 are money market mutual funds and corporate common 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 (Foundation) is based on valuation information provided by the Foundation which is primarily derived from or corroborated by observable market data as it relates to the Foundation's underlying investments.

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

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

Fair value of assets measured on a recurring basis at June 30, 2013 and 2012 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
2013:				
Common stock	\$ 55,430	55,430	-	-
Money market mutual fund	296,506	296,506	-	-
Charitable remainder trust	77,267	-	-	77,267
Community Foundation	27,863	-	27,863	-
	<u>\$ 457,066</u>	<u>351,936</u>	<u>27,863</u>	<u>77,267</u>
2012:				
Common stock	\$ 46,998	46,998	-	-
Money market mutual fund	296,458	296,458	-	-
Charitable remainder trust	66,642	-	-	66,642
Community Foundation	24,457	-	24,457	-
	<u>\$ 434,555</u>	<u>343,456</u>	<u>24,457</u>	<u>66,642</u>

(Continued)

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

Notes to Combined Financial Statements

The following table sets forth a summary of changes in the fair value of the Organization's receivable under a charitable remainder trust using significant unobservable inputs (Level 3) for the years ended June 30, 2013 and 2012:

Balance at June 30, 2011	\$ 76,220
Total gains/(losses) included in changes in net assets	<u>(9,578)</u>
Balance at June 30, 2012	66,642
Total gains/(losses) included in changes in net assets	<u>10,625</u>
Balance at June 30, 2013	<u><u>\$ 77,267</u></u>
Change in unrealized gains/(losses) for the period included in changes in net assets for assets held at June 30, 2013	<u><u>\$ 10,625</u></u>
Change in unrealized gains/(losses) for the period included in changes in net assets for assets held at June 30, 2012	<u><u>\$ (9,578)</u></u>

Quantitative Information about Significant Unobservable Inputs Used in Level 3 Fair Value Measurements

The Organization utilizes the discounted cash flow method to estimate the fair value of the receivable under remainder trust. Significant unobservable inputs include a discount rate of 3.17% and an estimated life expectancy of 12 years.

(14) Contingencies

The Organization routinely enters into grant agreements and contracts with governmental agencies that provide for reimbursement of eligible direct and indirect costs of providing certain program services. The grants and contracts are subject to audit or review and retroactive adjustment based on a final determination by the grantor of eligible reimbursable expenditures. The effect of such adjustments, if any, on the Organization's combined financial statements cannot be determined at this time and no provision has been made for any such adjustment in the accompanying combined financial statements.

(15) Subsequent Events

The Organization has evaluated subsequent events through November 18, 2013, the date the combined financial statements were available for issuance.

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, 2013

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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	\$ 621,367	-
		Loan 003	282,121	-
		Loan 005	2,382,906	-
		Loan 007	570,775	-
Subtotal - U.S. Department of Agriculture			<u>3,857,169</u>	<u>-</u>
<i>U.S. Department of Health and Human Services</i>				
Refugee and Entrant Assistance - Discretionary Grants	93.576	90RG0084	72,840	-
		90Z10073	71,156	-
			<u>143,996</u>	<u>-</u>
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	PIC07	262,958	-
Refugee and Entrant Assistance - Discretionary Grants	93.576	LK161	111,311	-
			<u>374,269</u>	<u>-</u>
Passed-through from United States Conference of Catholic Bishops:				
Refugee and Entrant Assistance - Voluntary Agency Programs	93.567	90RV00491003	227,245	-
			<u>227,245</u>	<u>-</u>
Passed-through Central Florida Behavioral Health Network, Inc.:				
Block Grants for Community Mental Health Services	93.958	CF652-1202	3,805	-
			<u>3,805</u>	<u>-</u>
Subtotal - U.S. Department of Health and Human Services			<u>749,315</u>	<u>-</u>
<i>U.S. Department of Homeland Security</i>				
Citizenship Education and Training	97.010	2012-CS-010-000025	63,700	-
			<u>63,700</u>	<u>-</u>
Passed-through from United Way Suncoast, Inc.:				
Emergency Food and Shelter National Board Program American Recovery and Reinvestment Act	97.024	N/A	96,193	-
			<u>96,193</u>	<u>-</u>
Passed-through from United States Conference of Catholic Bishops:				
Cuban/Haitian Entrant Program	97.009	N/A	15,554	-
			<u>15,554</u>	<u>-</u>
Subtotal - U.S. Department of Homeland Security			<u>175,447</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, 2013

(Page 2 of 5)

Federal / State Agency Pass-through Entity Federal / State Program	CFDA / CSFA Number	Contract/ Grant Number	Expenditures	Transfers To Subrecipients
<i>U.S. Department of Housing and Urban Development</i>				
Supportive Housing Program	14.235	FL0163B4H191104 \$ FL0163B4H191003	84,833 19,485 <u>104,318</u>	- - <u>-</u>
Passed-through from the City of Tampa, Florida: Housing Opportunities for Persons with AIDS	14.241	POBC13700005 POBC12700013 POBC13700004 POBC12700028 POBC13700006 POBC12700012	474,337 164,117 234,441 63,042 110,386 32,340	- - - - - -
Community Development Block Grant/Entitlement Grants	14.218	N/A	3,292,919 <u>4,371,582</u>	- <u>-</u>
Passed-through from Hillsborough County, Florida: Community Development Block Grant/Entitlement Grants	14.218	13-0314 12-0045 08-0612 N/A N/A	50,759 4,852 549,294 44,485 1,517,110	- - - - -
HOME Investments Partnerships Program	14.239	08-0613	2,427,168	-
Community Development Block Grant/State Programs	14.228	N/A	1,345,362 <u>5,939,030</u>	- <u>-</u>
Passed-through from Catholic Charities USA: Housing Counseling Assistance Program	14.169	N/A HC10-0011-06	12,722 49,025 <u>61,747</u>	- - <u>-</u>
Passed-through from Pinellas County, Florida: Emergency Solutions Grant Program	14.231	ES12CC	11,855 <u>11,855</u>	- <u>-</u>
Passed-through from City of Largo, Florida: Community Development Block Grant/Entitlement Grants	14.218	N/A N/A N/A	14,219 5,450 118,304 <u>137,973</u>	- - - <u>-</u>
Passed-through from City of Clearwater, Florida: Community Development Block Grant/Entitlement Grants	14.218	B-12-MC-12-0002	12,000 <u>12,000</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, 2013

(Page 3 of 5)

Federal / State Agency Pass-through Entity Federal / State Program	CFDA / CSFA Number	Contract/ Grant Number	Expenditures	Transfers To Subrecipients
Passed-through St. Petersburg Housing Authority: Section 8 Housing Choice Vouchers	14.871	N/A	\$ 225,401 <u>225,401</u>	- <u>-</u>
Passed-through from City of St. Petersburg, Florida: Neighborhood Stabilization Program				
American Recovery and Reinvestment Act	14.256	N/A	781,814	-
Emergency Solutions Grant Program	14.231	E-12-MC-12-0009	43,046	-
Community Development Block Grant/Entitlement Grants	14.218	B-12-MC-12-0017	25,000 <u>849,860</u>	- <u>-</u>
Passed-through from Pasco County, Florida Neighborhood Stabilization Program				
American Recovery and Reinvestment Act	14.256	N/A	939,616	-
		N/A	1,530,965	-
			<u>2,470,581</u>	<u>-</u>
Subtotal - U.S. Department of Housing and Urban Development			<u>14,184,347</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	26,454 <u>26,454</u>	- <u>-</u>
Subtotal - U.S. Department of the Treasury			<u>26,454</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	236,909 <u>236,909</u>	- <u>-</u>
Subtotal - U.S. Department of State			<u>236,909</u>	<u>-</u>
<i>U.S. Department of Veterans Affairs</i>				
VA Homeless Providers Grant and Per Diem Program	64.024	12-92-FL	37,584	-
Passed-through from St. Vincent De Paul: VA Supportive Services for Veteran Families Program	64.033	N/A	27,388 <u>27,388</u>	- <u>-</u>
Subtotal - U.S. Department of Veterans Affairs			<u>64,972</u>	<u>-</u>
Total Federal Expenditures			\$ <u>19,294,613</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, 2013

(Page 4 of 5)

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	\$ <u>21,015</u>	<u>-</u>
			<u>21,015</u>	<u>-</u>
Subtotal - State of Florida Department of Elder Affairs			<u>21,015</u>	<u>-</u>
<i>State of Florida Department of Health</i>				
Passed-through Florida Pregnancy Care Network, Inc.:				
Pregnancy Support Services Program	64.080	N/A	<u>143,000</u>	<u>-</u>
			<u>143,000</u>	<u>-</u>
Subtotal - State of Florida Department of Health			<u>143,000</u>	<u>-</u>
<i>State of Florida Housing Finance Corporation</i>				
Passed through Hillsborough County, Florida:				
State Housing Initiatives Partnership Program	52.901	02-0724	500,000	-
		08-0611	750,000	-
			<u>1,250,000</u>	<u>-</u>
Subtotal - State of Florida Housing Finance Corporation			<u>1,250,000</u>	<u>-</u>
Total State Financial Assistance			<u>\$ 1,414,015</u>	<u>-</u>

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

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

Schedule of Expenditures of Federal Awards and State Financial Assistance

Year ended June 30, 2013

(Page 5 of 5)

Total expenditures by federal award program for the year ended June 30, 2013 were as follows:

<u>Federal Program</u>	<u>CFDA No.</u>	<u>Expenditures</u>
Farm Labor Housing Loans and Grants	10.405	\$ 3,857,169
Housing Counseling Assistance Program	14.169	61,747
Community Development Block Grant/Entitlement Grants	14.218	5,634,392
Community Development Block Grant/State Programs	14.228	1,345,362
Emergency Solutions Grant Program	14.231	54,901
Supportive Housing Program	14.235	104,318
HOME Investments Partnerships Program	14.239	2,427,168
Housing Opportunities for Persons with AIDS	14.241	1,078,663
Neighborhood Stabilization Program		
American Recovery and Reinvestment Act	14.256	3,252,395
St. Petersburg Housing Authority		
Section 8 Housing Choice Voucher Program	14.871	225,401
U.S. Refugee Admissions Program	19.510	236,909
National Foreclosure Mitigation Counseling Program	21.000	26,454
VA Homeless Providers Grant and Per Diem Program	64.024	37,584
VA Supportive Services for Veteran Families Program	64.033	27,388
Substance Abuse and Mental Health Services-Projects of		
Regional and National Significance	93.243	262,958
Refugee and Entrant Assistance - Voluntary Agency Programs	93.567	227,245
Refugee and Entrant Assistance - Discretionary Grants	93.576	255,307
Block Grants for Community Mental Health Services	93.958	3,805
Cuban/Haitian Entrant Program	97.009	15,554
Citizenship Education and Training	97.010	63,700
Emergency Food and Shelter National Board Program		
American Recovery and Reinvestment Act	97.024	<u>96,193</u>
		<u>\$ 19,294,613</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, 2013

(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, 2013. 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 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 are summarized on page 5 of the accompanying Schedule.

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

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

June 30, 2013

Assets

Current assets:

Cash and cash equivalents:

Operating cash	\$ 24,248
Reserve account	149,904
Security deposits	7,650
Accounts receivable, less allowance for doubtful accounts of \$2,998	2,737
Prepaid expenses	540

Total current assets 185,079

Property and equipment:

Land	302,899
Buildings and improvements	7,980,357
Vehicles	5,951
Furniture and equipment	38,594
	<u>8,327,801</u>
Accumulated depreciation	(940,363)
	<u>7,387,438</u>

Amounts due from affiliate (77,728)

\$ 7,494,789

Liabilities and Net Assets

Current liabilities:

Current installments of long-term debt	\$ 244,667
Accounts payable	68
Accrued expenses	3,731
Deferred revenue	2,800
Security deposits liability	7,450

Total current liabilities 258,716

Long-term debt, excluding current installments 3,586,087

Total liabilities 3,844,803

Net assets:

Unrestricted	(613,328)
Temporarily restricted	4,263,314

Total net assets 3,649,986

\$ 7,494,789

**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, 2013

	Unrestricted	Temporarily Restricted	Total
Operating Support and Revenue:			
<i>Revenue:</i>			
Rental income			
Tenant rent	\$ 119,084	-	119,084
USDA subsidy	227,364	-	227,364
Tenant charges	1,215	-	1,215
Security deposit forfeitures	400	-	400
Laundry income	300	-	300
Interest income	38	-	38
Other	-	-	-
	348,401	-	348,401
 <i>Net assets released from restrictions:</i>			
Expiration of time restrictions on capital assets	166,310	(166,310)	-
	166,310	(166,310)	-
 Total operating support and revenue	514,711	(166,310)	348,401
 Operating Expenses:			
Salaries and wages	32,962	-	32,962
Payroll taxes and benefits	14,694	-	14,694
Management fees	21,781	-	21,781
Contractor expenses	4,496	-	4,496
Utilities	32,860	-	32,860
Grounds maintenance and supplies	16,582	-	16,582
Security expenses	541	-	541
Insurance	37,786	-	37,786
Interest	186,732	-	186,732
Other	7,002	-	7,002
Depreciation	236,155	-	236,155
	591,591	-	591,591
 Total operating expenses	591,591	-	591,591
 Decrease in net assets	(76,880)	(166,310)	(243,190)
 Net assets at beginning of year	(536,448)	4,429,624	3,893,176
 Net assets at end of year	\$ (613,328)	4,263,314	3,649,986

**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, 2013
(Page 1 of 2)

Cash flows from operating activities:

Cash receipts from rentals	\$	119,694
USDA subsidy receipts		227,364
Tenant charges		1,215
Security deposit forfeitures		400
Laundry receipts		300
Interest received		38
		349,011

Expenses paid:

Salaries and wages		32,962
Payroll taxes and benefits		14,694
Management fees		20,800
Contracted expenses		4,496
Utilities		36,410
Grounds maintenance and supplies		23,026
Security expenses		541
Insurance		37,794
Interest		52,422
Other		7,394
		230,539

Net cash provided by operating activities		118,472
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Cash flows from investing activities:

Advances repaid by affiliate		104,450
Deposits to the reserve for replacements account		(47,040)
Capital purchases		(1,452)

Net cash provided by investing activities		55,958
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Cash flows from financing activities:

Principal payments on long-term debt		(155,397)
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Net cash used in financing activities		(155,397)
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Net increase in cash		19,033
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Cash at beginning of year		5,215
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Cash at end of year	\$	24,248
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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, 2013

(Page 2 of 2)

Reconciliation of Change in Net Assets to Net Cash

Provided By Operating Activities:

Change in net assets	\$ (243,190)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	236,155
Amortization of discount on notes payable	134,310
Bad debt recoveries	(742)
Changes in assets and liabilities:	
Decrease in accounts receivable	162
Increase in prepaid expenses	(8)
Decrease in accounts payable	(9,995)
Increase in accrued expenses	781
Increase in deferred revenue	999
	<hr/>
Net cash provided by operating activities	\$ <u><u>118,472</u></u>

INTERNAL CONTROL AND COMPLIANCE

Members:

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

Of Counsel:

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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of Catholic Charities, Diocese of St. Petersburg, Inc. and Affiliates (a nonprofit organization), which comprise the combined statement of financial position as of June 30, 2013, and the related combined statements of unrestricted support and revenue, expenses and other changes in unrestricted net assets, changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated November 18, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered Catholic Charities, Diocese of St. Petersburg, Inc. and Affiliates internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of Catholic Charities, Diocese of St. Petersburg, Inc. and Affiliates internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lewis, Brich & Ricard, LLC

Clearwater, Florida
November 18, 2013

Members:

Douglas R. Birch, CPA*
Craig A. Gilman, CPA*
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Michael D. Kindt, CPA*/PFS, CFP®
Michael E. Lewis, CPA*/ABV/CFE, CVA
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Of Counsel:

Ronald M. Ricardo, CPA*



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

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

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

www.lbrllc.com

**Independent Auditors' Report on Compliance for Each Major Federal Program
and State Project and on Internal Control Over Compliance
Required by 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:

Report on Compliance for Each Major Federal Program and Major State Project

We have audited Catholic Charities, Diocese of St. Petersburg, Inc. and Affiliates' compliance with the types of compliance requirements described in the *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 Affiliates' major federal programs and their major state project for the year ended June 30, 2013. Catholic Charities, Diocese of St. Petersburg, Inc. and Affiliates' major federal programs and major state project are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Catholic Charities, Diocese of St. Petersburg, Inc. and Affiliates' major federal programs and major state project based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 and major 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 on compliance for each major federal program and major state project. However, our audit does not provide a legal determination of Catholic Charities, Diocese of St. Petersburg, Inc. and Affiliates' compliance.

Opinion on Each Major Federal Program and Major State Project

In our opinion, Catholic Charities, Diocese of St. Petersburg, Inc. and Affiliates complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and its major state project for the year ended June 30, 2013.

Report on 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 types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Catholic Charities, Diocese of St. Petersburg, Inc. and Affiliates' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and major state project 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 Catholic Charities, Diocese of St. Petersburg, Inc. and Affiliates' internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133, and Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

Lewis, Brich & Ricardo, LLC

Clearwater, Florida
November 18, 2013

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

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

(Page 1 of 2)

(A) Summary of Audit Results

1. The auditors' report expresses an unmodified opinion on the combined financial statements of Catholic Charities, Diocese of St. Petersburg, Inc. and Affiliates.
2. No significant deficiencies relating to the audit of the combined financial statements 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*.
3. No instances of noncompliance material to the combined financial statements of Catholic Charities, Diocese of St. Petersburg, Inc. and Affiliates were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal programs and state project are reported in the Independent Auditors' Report on Compliance for Each Major Federal Program and State Project and on Internal Control Over Compliance Required by OMB Circular A-133 and Chapter 10.650, Rules of the State of Florida Auditor General.
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 unmodified 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:
 - USDA – Farm Labor Housing Loans and Grants (CFDA 10.405)
 - Home Investment Partnership Program (HOME) (CFDA 14.239)
 - Community Development Block Grants/Entitlement Grants (CFDA 14.218)
 - Community Development Block Grants/State Programs (CFDA 14.228)
 - State:
 - State Housing Initiatives Partnership Program (CSFA No. 52.901)
8. The threshold for distinguishing Types A and B programs was \$578,838 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, 2013

(Page 2 of 2)

(B) Findings - Audit of Combined Financial Statements

None.

(C) Findings and Questioned Costs Relating to Federal Awards

None.

(D) Findings and Questioned Costs Relating to State Projects

None.

(E) Other Issues

A Summary Schedule of Prior Audit Findings is not required because there were no prior audit findings related to a major federal program or major state project.

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
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Anthony S. Phillips, CPA*/ABV/CFE

Of Counsel:

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 combined financial statements of Catholic Charities, Diocese of St. Petersburg, Inc. and Affiliates as of and for the year ended June 30, 2013, and have issued our report thereon dated November 18, 2013.

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; 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*. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; our Independent Auditors' Report on Compliance for Each Major Federal Program and State Project and on Internal Control over Compliance Required by OMB Circular A-133 and Chapter 10.650, *Rules of the State of Florida Auditor General*, and the Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated November 18, 2013, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.650, *Rules of the State of Florida 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 a 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, that have occurred or are likely to have occurred and (2) deficiencies in internal control that are not significant deficiencies. Our audit did not identify any matters that are required to be disclosed.

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management and should not be used by anyone other than these specified parties.

Lewis, Birch & Ricardo, LLC

Clearwater, Florida
November 18, 2013