STOCKMAN KAST RYAN + COMPANY

# CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC.
# dba CATHOLIC CHARITIES OF SOUTHERN COLORADO AND SUBSIDIARY

**Independent Auditors' Reports,**

**Consolidated Financial Statements,**

**Supplemental Information,**

**Schedule of Findings and Questioned Costs**

**And**

**Summary Schedule of Prior Audit Findings**

**For the Year Ended June 30, 2023**

CPAs + BUSINESS ADVISORS

# CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC.
# dba CATHOLIC CHARITIES OF SOUTHERN COLORADO AND SUBSIDIARY

**TABLE OF CONTENTS**

STOCKMAN KAST RYAN + COMPANY

102 N. Cascade Avenue, Suite 400
Colorado Springs, CO 80903
T: 719.630.1186
F: 719.630.1187
skrco.com

**INDEPENDENT AUDITORS' REPORT**

The Board of Directors
Catholic Charities of The Diocese of Pueblo, Inc.
dba Catholic Charities of Southern Colorado

**Opinion**

We have audited the accompanying consolidated financial statements of Catholic Charities of The Diocese of Pueblo, Inc. dba Catholic Charities of Southern Colorado and subsidiary (the Organization), which comprise the consolidated statement of financial position as of June 30, 2023 and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2023, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management for the Consolidated Financial Statements**

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

**Auditors' Responsibility for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards,* we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

**Report on Summarized Comparative Information**

We have previously audited the Organization's 2022 consolidated financial statements and expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated February 15, 2023. The summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

**Report on Supplemental Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the consolidated financial statements of the Organization. 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 December 20, 2023 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the Organization's internal control over financial reporting and compliance.

*Stockman Kast Ryan + Co, LLP*

December 20, 2023

## CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC.
## dba CATHOLIC CHARITIES OF SOUTHERN COLORADO AND SUBSIDIARY

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**JUNE 30, 2023 (with comparative totals for 2022)**

| | 2023 | 2022 |
|---|---|---|
| **ASSETS** | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | $ 394,381 | $ 376,017 |
| Restricted cash | 616,541 | 462,103 |
| Grant and contract receivables | 744,694 | 954,902 |
| Investments | 998,981 | 765,515 |
| Pledge receivables | 135,840 | 271,680 |
| Accounts receivable | | 37,401 |
| Other current assets | 50,635 | 44,369 |
| Total current assets | 2,941,072 | 2,911,987 |
| NOTE RECEIVABLE | 279,000 | |
| PROPERTY AND EQUIPMENT, NET | 30,756 | 173,097 |
| TOTAL ASSETS | $ 3,250,828 | $ 3,085,084 |
| **LIABILITIES AND NET ASSETS** | | |
| CURRENT LIABILITIES | | |
| Accounts payable | $ 111,006 | $ 257,838 |
| Accrued expenses | 146,817 | 127,958 |
| Accrued compensated absences | 96,501 | 100,635 |
| Client deposits | 616,541 | 462,103 |
| Refundable advance | 203,372 | 109,971 |
| Total liabilities | 1,174,237 | 1,058,505 |
| NET ASSETS | | |
| Without donor restriction | 941,770 | 989,384 |
| Without donor restriction - Board designated | 998,981 | 765,515 |
| Total without donor restriction | 1,940,751 | 1,754,899 |
| With donor restriction | 135,840 | 271,680 |
| Total net assets | 2,076,591 | 2,026,579 |
| TOTAL LIABILITIES AND NET ASSETS | $ 3,250,828 | $ 3,085,084 |

See notes to consolidated financial statements.

## CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC.
## dba CATHOLIC CHARITIES OF SOUTHERN COLORADO AND SUBSIDIARY

**CONSOLIDATED STATEMENT OF ACTIVITIES**
**FOR THE YEAR ENDED JUNE 30, 2023 (with comparative totals for 2022)**

| | 2023 | | | 2022 |
|---|---|---|---|---|
| | Without Donor Restriction | With Donor Restriction | Total | Total |
| SUPPORT AND REVENUE | | | | |
| SUPPORT | | | | |
| Contributions - financial assets | $ 239,155 | | $ 239,155 | $ 309,165 |
| Assistance programs | 138,230 | | 138,230 | 136,210 |
| Diocesan Ministry Fund support | 100,000 | | 100,000 | 50,000 |
| Contributions - nonfinancial assets | 10,831 | | 10,831 | 408,370 |
| Total support | 488,216 | $ — | 488,216 | 903,745 |
| REVENUES | | | | |
| Grant revenue | 4,157,203 | | 4,157,203 | 4,869,255 |
| Other revenue | 16,390 | | 16,390 | 126,186 |
| Money management fees | 170,672 | | 170,672 | 143,768 |
| Gain on sale of assets | 162,199 | | 162,199 | 6,390 |
| Net investment return | 83,465 | | 83,465 | (6,216) |
| Special events | 81,358 | | 81,358 | |
| Immigration service fees | 56,070 | | 56,070 | 109,817 |
| Other fees | 56,090 | | 56,090 | 7,822 |
| Net assets released from restrictions – Satisfaction of restrictions | 135,840 | (135,840) | | |
| Total revenue | 4,919,287 | (135,840) | 4,783,447 | 5,257,022 |
| Total support and revenue | 5,407,503 | (135,840) | 5,271,663 | 6,160,767 |
| EXPENSES | | | | |
| Program services | 3,887,284 | | 3,887,284 | 4,628,118 |
| General and administrative | 1,170,028 | | 1,170,028 | 1,195,592 |
| Fund raising | 164,339 | | 164,339 | 148,921 |
| Total expenses | 5,221,651 | — | 5,221,651 | 5,972,631 |
| CHANGE IN NET ASSETS | 185,852 | (135,840) | 50,012 | 188,136 |
| NET ASSETS, Beginning of year | 1,754,899 | 271,680 | 2,026,579 | 1,838,443 |
| NET ASSETS, End of year | $ 1,940,751 | $ 135,840 | $ 2,076,591 | $ 2,026,579 |

See notes to consolidated financial statements.

## CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC.
## dba CATHOLIC CHARITIES OF SOUTHERN COLORADO AND SUBSIDIARY

### CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
### FOR THE YEAR ENDED JUNE 30, 2023 (with comparative totals for 2022)

| | 2023 | | | | |
|---|---|---|---|---|---|
| | | Support Services | | | |
| | Program Services | General and Administrative | Fund Raising | 2023 Total | 2022 Total |
| EXPENSES | | | | | |
| Employee compensation: | | | | | |
| Salaries | $ 2,332,896 | $ 490,515 | $ 104,673 | $ 2,928,084 | $ 3,205,769 |
| Payroll taxes and benefits | 587,523 | 177,186 | | 764,709 | 843,019 |
| Total employee compensation | 2,920,419 | 667,701 | 104,673 | 3,692,793 | 4,048,788 |
| Other expenses: | | | | | |
| Program supplies | 411,997 | | | 411,997 | 472,567 |
| Professional services | 122,766 | 113,195 | | 235,961 | 504,827 |
| Occupancy | 2,695 | 221,960 | | 224,655 | 212,899 |
| Assistance to individuals | 171,768 | | | 171,768 | 211,576 |
| Dues and fees | 53,304 | 47,462 | | 100,766 | 74,630 |
| Advertising, marketing, and fundraising | 8,723 | 3,161 | 59,666 | 71,550 | 47,643 |
| Travel | 54,755 | 6,900 | | 61,655 | 55,114 |
| Telephone | 43,799 | 16,890 | | 60,689 | 42,934 |
| Office supplies | 47,140 | 6,769 | | 53,909 | 57,477 |
| Insurance | | 36,089 | | 36,089 | 60,548 |
| Printing and publications | 12,373 | 21,535 | | 33,908 | 33,515 |
| Repairs and equipment maintenance | 30,623 | | | 30,623 | 19,054 |
| Professional development | 17,673 | 1,116 | | 18,789 | 24,557 |
| Rent-equipment | 999 | 13,324 | | 14,323 | 17,259 |
| Depreciation | | 7,549 | | 7,549 | 16,956 |
| Postage and shipping | 618 | 5,437 | | 6,055 | 7,695 |
| Meals | 788 | 1,342 | | 2,130 | 918 |
| Bad debt expense | | | | | 31,599 |
| Miscellaneous | (13,156) | (402) | | (13,558) | 32,075 |
| Total other expenses | 966,865 | 502,327 | 59,666 | 1,528,858 | 1,923,843 |
| TOTAL | $ 3,887,284 | $ 1,170,028 | $ 164,339 | $ 5,221,651 | |
| PERCENT OF TOTAL | 74% | 22% | 3% | 100% | |
| COMPARATIVE TOTALS – 2022 | $ 4,628,118 | $ 1,195,592 | $ 148,921 | | $ 5,972,631 |
| PERCENT OF TOTAL – 2022 | 78% | 20% | 2% | | 100% |

See notes to consolidated financial statements.

**CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC.**
**dba CATHOLIC CHARITIES OF SOUTHERN COLORADO AND SUBSIDIARY**

**CONSOLIDATED STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED JUNE 30, 2023 (with comparative totals for 2022)**

| | 2023 | 2022 |
|---|---|---|
| OPERATING ACTIVITIES | | |
| Change in net assets | $ 50,012 | $ 188,136 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | 7,549 | 16,956 |
| Realized and unrealized (gains) losses on investments | (69,427) | 8,730 |
| Gain on sale of of property and equipment | (162,199) | (6,250) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 37,401 | 4,422 |
| Pledge receivables | 135,840 | (271,680) |
| Grant and contract receivables | 210,208 | (32,016) |
| Other assets | (6,266) | 53,465 |
| Accounts payable and accrued expenses | (127,973) | (220,822) |
| Refundable advance | 93,401 | (160,949) |
| Accrued compensated absences | (4,134) | (28,672) |
| Client deposits | 154,438 | (56,180) |
| Net cash provided by (used in) operating activities | 318,850 | (504,860) |
| INVESTING ACTIVITIES | | |
| Purchase of investments | (214,039) | (103,091) |
| Proceeds from sale of investments | 50,000 | 190,137 |
| Proceeds from sale of property and equipment | 17,991 | 6,250 |
| Net cash provided by (used in) investing activities | (146,048) | 93,296 |
| CHANGE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH | 172,802 | (411,564) |
| CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, Beginning of year | 838,120 | 1,249,684 |
| CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, End of year | $ 1,010,922 | $ 838,120 |
| **NON-CASH FINANCING ACTIVITY** | | |
| Note receivable issuance for sale of assets | $ 279,000 | $ — |

See notes to consolidated financial statements.

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Catholic Charities of the Diocese of Pueblo, Inc. dba Catholic Charities of Southern Colorado (CCSOCO) is a Colorado not-for-profit organization. The organization was incorporated on April 6, 1994. The mission of CCSOCO is to enhance the dignity and self-worth of individuals and families through the provision of services that respond to the physical, spiritual, emotional and economical needs of those served and to collaborate with the communities of Southern Colorado to solve social problems and to work to bring about systemic change so that justice is attained. CCSOCO is organized exclusively for charitable and educational purposes. Catholic Charities of the Diocese of Pueblo Works Corp. (Pueblo Works), a wholly owned subsidiary of CCSOCO, provides services through grant funding that compliments CCSOCO. The subsidiary began providing services in January 2014.

**Principles of Consolidation** – The consolidated financial statements include the accounts of Pueblo Works, a wholly owned subsidiary of CCSOCO, and Catholic Charities of the Diocese of Pueblo, Inc. dba Catholic Charities of Southern Colorado (collectively, the Organization). All significant intercompany accounts and transactions have been eliminated in consolidation.

**Basis of Presentation** – The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, which represents the expendable resources that are available for operations at management's discretion; and net assets with donor restrictions, which represents resources restricted by donors as to purpose or by the passage of time.

**Basis of Accounting** – The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting.

**Cash and Cash Equivalents** — The Organization considers all liquid investments with original maturities of three months or less, which are neither held for nor restricted by donors for long term purposes to be cash equivalents.

**Investments and Investment Return** — The Organization's investments consist of mutual funds, money market accounts, and savings and time deposits, which are held as investments, carried at fair market value. The mutual funds and money market accounts are valued based on quoted prices in active markets. Investment return includes dividend, interest and other investment income; and realized and unrealized gains and losses on investments carried at fair value. Investment return is reflected in the statement of activities as without donor restriction or with donor restriction based upon the existence and nature of any donor or legally imposed restrictions.

**Receivables and Credit Policies** — Accounts receivable consist primarily of noninterest-bearing amounts due for program services. We determine the allowance for uncollectible accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectible. At June 30, 2023 and 2022 all amounts were deemed collectible.

**Revenue Recognition** — Contributions received are recorded as without donor restriction or with donor restriction depending on the existence or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a donor restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are received, respectively.

**Property and Equipment** — All acquisitions of property and equipment in excess of $1,500 and all expenditures for repairs, maintenance, renewals and betterments that prolong the useful lives of assets are capitalized. Property and equipment are recorded at cost or, if donated, at the fair value at the date of donation. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, which range from three years to thirty-nine years.

**Restricted Cash and Client Deposits** — The Organization provides cash management and immigration services to clients. Cash management services include collection of client funds and payment of client expenses and debts. Immigration services include collection of client funds and payment of attorney fees on behalf of the client. At June 30, 2023 and 2022, the Organization was holding $616,541 and $462,103, respectively, of client funds.

**Government Grants** — Support funded by grants is recognized as the Organization performs the contracted services or incurs eligible expenditures for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required. Grants receivable are considered by management to be fully collectible and, accordingly, no allowance for doubtful accounts is considered necessary.

**Use of Estimates** — Preparation of the Organization's 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 financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

**Income Taxes** — The Organization is a qualifying organization under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes under Section 501(a). In addition, the Organization qualified for the charitable contribution deduction. The Organization believes that it does not have any uncertain tax positions that are material to the financial statements.

**Change in Accounting Principle** — On September 17, 2020, FASB issued Accounting Standards Update (ASU) 2020-07, Not-for-Profit Entities (Topic 958) – Presentation and Disclosures by Not for-Profit Entities for Contributed Nonfinancial Assets. The update addresses the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure.

We have implemented ASU 2020-07 and have adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

A key change required by ASU 2020-07 is the presentation of contributed non-financial assets recognized within the Statement of Activities and disclosure about qualitative information about whether the contributed nonfinancial assets were monetized or utilized during the reporting period, a description of donor-imposed restrictions (if any), a description of the valuation techniques and inputs used to arrive at a fair value measure, and the principal market used to arrive at a fair value measure.

**Reclassifications** — Certain reclassifications to prior year amounts have been made to conform to the current year presentation.

**Subsequent Events** — The Organization has evaluated subsequent events for recognition or disclosure through the date of the Independent Auditors' Report, which is the date the financial statements were available for issuance.

## 2. LIQUIDITY AND AVAILABILITY

The following table reflects the Organization’s financial assets as of June 30, 2023 and 2022, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or time restrictions. Amounts not available to meet general expenditures within one year include net assets with donor restrictions.

| | 2023 | 2022 |
|---|---|---|
| Cash and cash equivalents | $ 394,381 | $ 376,017 |
| Restricted cash | 616,541 | 462,103 |
| Grant and contract receivables | 744,694 | 954,902 |
| Pledge receivables | 135,840 | 271,680 |
| Investments | 998,981 | 765,515 |
| Accounts receivable | | 37,401 |
| Total financial assets | 2,890,437 | 2,867,618 |

| | 2023 | 2022 |
|---|---|---|
| Less amounts unavailable for general expenditures within one year, due to: | | |
| Restricted cash | (616,541) | (462,103) |
| Board designated | (998,981) | (765,515) |
| Restricted by donors with time restrictions | (135,840) | (271,680) |
| Total amounts unavailable for general expenditures within one year | (1,751,362) | (1,499,298) |
| Total financial assets available to management to meet cash needs for general expenditures within one year | $ 1,139,075 | $ 1,368,320 |

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization is substantially supported by charitable contributions in addition to fees earned from the various programs. As those charged with management of those accounts request expenses to be made, assets with donor restrictions can be liquidated to cover those expenses.

## 3. FUNCTIONAL EXPENSES ALLOCATION METHOD

The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of the Organization. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Costs are charged to the program, general and administrative or fundraising based on what area of the organization the cost supports. Expenses that can be identified with a specific program are charged directly to that program, with all other expenses common to several programs are allocated based on management's budgetary estimates.

## 4. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

Cash and cash equivalents and restricted cash consisted of the following as of June 30:

| | 2023 | 2022 |
|---|---|---|
| Cash and cash equivalents | $ 394,381 | $ 376,017 |
| Restricted cash | 616,541 | 462,103 |
| Total | $ 1,010,922 | $ 838,120 |

## 5. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Organization is required to use a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2: Prices determined using significant other observable inputs. Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Prices determined using significant unobservable inputs.

The investment's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30:

| | **Fair Value** | **Quoted Prices in Active Markets for Identical Assets (Level 1)** | **Significant Other Observable Inputs (Level 2)** | **Significant Unobservable Inputs (Level 3)** |
|---|---|---|---|---|
| **2023:** | | | | |
| Domestic equity mutual funds | $ 671,247 | $ 671,247 | | |
| Savings and rime deposits | 151,821 | 151,821 | | |
| Money market accounts | 175,913 | 175,913 | | |
| Total investments | $ 998,981 | $ 998,981 | $ — | $ — |
| **2022:** | | | | |
| Domestic equity mutual funds | $ 639,617 | $ 639,617 | | |
| Money market accounts | 125,898 | 125,898 | | |
| Total investments | $ 765,515 | $ 765,515 | $ — | $ — |

Investment income consists of the following for the years ended June 30:

| | **2023** | **2022** |
|---|---|---|
| Interest and dividend income | $ 14,038 | $ 2,514 |
| Realized and unrealized investment gains | 69,427 | (8,730) |
| Total | $ 83,465 | $ (6,216) |

## 6. PLEDGE RECEIVABLE FOR USE OF PROPERTY

The Organization entered into a two-year lease agreement which began in June 2020 for the use of office and operations facilities for annual rental payments of $1. During the year ended June 30, 2022, the Organization renewed for an additional two years.

In 2022, the Organization recognized $271,680 for the free use of facilities for the renewed agreement as contribution revenue and a pledge receivable at the fair market value of the facility in excess of the rental payments. The Organization recognized rent expense of $135,840 for each of the years ended June 30, 2023 and 2022, associated with the below market annual rents.

## 7. NOTE RECEIVABLE

During the year ended June 30, 2023, the Organization entered into a promissory note with another organization, to purchase a building owned by the Organization. Under the agreement, the Organization loaned $279,000 to the other organization. The note is receivable at maturity on May 1, 2025, with interest only payments of $1,860 due monthly beginning December 1, 2023. The note bears interest at 8% annually and is secured by real estate.

## 8. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

| | **2023** | **2022** |
|---|---|---|
| Buildings and leasehold improvements | $ 126,435 | $ 269,910 |
| Office furniture and equipment | 242,066 | 242,066 |
| Vehicles | | 4,058 |
| Total | 368,501 | 516,034 |
| Less accumulated depreciation | (337,745) | (342,937) |
| Property and equipment, net | $ 30,756 | $ 173,097 |

## 9. NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restriction are restricted for time in the amounts of $135,840 and $271,680 as of June 30, 2023 and 2022, respectively.

## 10. RELEASE OF NET ASSETS WITH DONOR RESTRICTION

Net assets were released from donor restrictions by incurring expenditures satisfying the restricted purposes as follows for the years ended June 30:

| | 2023 | 2022 |
|---|---|---|
| Time restricted | $ 135,840 | $ 312,840 |
| Program restricted: | | |
| CARES Assistance | | 105,155 |
| Emergency Assistance Counseling | | 18,000 |
| Other | | 239,195 |
| Total | $ 135,840 | $ 675,190 |

## 11. NET ASSETS WITHOUT DONOR RESTRICTION

Net assets without donor restriction consisted of the following at June 30:

| | 2023 | 2022 |
|---|---|---|
| Board designated for: | | |
| Operating reserve | $ 998,981 | $ 765,515 |
| Undesignated | 941,770 | 989,384 |
| Total | $ 1,940,751 | $ 1,754,899 |

## 12. CONTRIBUTED NONFINANCIAL ASSETS

For the years ended June 30, contributed nonfinancial assets recognized within the statement of activities included:

| | Revenue Recognized | Utilization in Programs/ Activities | Donor Restriction | Valuation Techniques/ Inputs |
|---|---|---|---|---|
| **2023** | | | | |
| Events | $ 10,831 | Events | None | Fair market value |
| Total | $ 10,831 | | | |
| **2022** | | | | |
| Facilities | $ 407,520 | Administrative | None | Fair market value |
| Events | 850 | Events | None | Fair market value |
| Total | $ 408,370 | | | |

## 13. EMPLOYEE BENEFIT PLAN

The Organization has a tax shelter annuity plan that it offers to employees. Employees who have completed six months of service and work a minimum of 20 hours a week are eligible. The Organization matches contributions up to 3% of employee's gross salary. Contributions to the plan were $30,294 and $29,154 for the years ended June 30, 2023 and 2022, respectively.

## 14. COMMITMENTS AND CONTINGENCIES

**Grant Requirements** — Both federal and nonfederal grants require the fulfillment of certain conditions as set forth in the grant agreement. Failure to fulfill these conditions could result in the disallowance of certain expenditures. Management anticipates no disallowances of expenditures.

## 15. CONCENTRATIONS

Contracts with the federal and state governments provided approximately 39% and 34% of the Organization's revenue for the years ended June 30, 2023 and 2022, respectively.

As of June 30, 2023, 44% of the Organization's grant and contract receivables was due under two providers. As of June 30, 2022, 49% of the Organization's grant and contract receivable was due under three providers.

The Organization has several accounts at financial institutions with a balance that frequently exceeds the FDIC insurance limits. The Organization has not experienced any losses in such accounts.

**CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC.**
**dba CATHOLIC CHARITIES OF SOUTHERN**
**COLORADO AND SUBSIDIARY**

**SUPPLEMENTAL INFORMATION**

## CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC.
## dba CATHOLIC CHARITIES OF SOUTHERN COLORADO AND SUBSIDIARY

### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
### FOR THE YEAR ENDED JUNE 30, 2023

| Federal Agency / Pass-Through Entity and Cluster or Program | CFDA Number | Grant Number | Amount Expended |
|---|---|---|---|
| United States Department of Health and Human Services: | | | |
| Pass-Through Programs: | | | |
| Colorado Department of Health and Human Services: | | | |
| Office of Early Childhood: | | | |
| Maternal, Infant and Early Childhood Home Visiting Program | 93.870 | 23 QAAA 181354 | $ 1,093,582 |
| Community Based Child Abuse Prevention | 93.590 | 23 QAAA 177581 | 52,636 |
| Healthy Marriage Promotion and Responsible Fatherhood Grants | 93.086 | 23 QAAA 177591 | 80,411 |
| MaryLee Allen Promoting Safe and Stable Families Program | 93.556 | 23 QAAA 178129 | 107,469 |
| Total Office of Early Childhood | | | 1,334,098 |
| Office of Behavioral Health: | | | |
| SAMHSA Substance Abuse Prevention and Treatment Block Grant | 93.959 | 2023*0356 | 170,420 |
| National Association of County & City Health Officials: | | | |
| Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health | 93.421 | 2021-031902 | 100,182 |
| Total United States Department of Health and Human Services | | | 1,604,700 |
| United States Department of Housing and Urban Development (HUD): | | | |
| Pass-Through Programs: | | | |
| City of Pueblo: | | | |
| Community Development Block Grant (CDBG) / Entitlement Program | 14.218 | CD2105 | 25,955 |
| United States Department of Homeland Security: | | | |
| Pass-Through Programs: | | | |
| United Way of Pueblo: | | | |
| Emergency Food & Shelter National Board Program | 97.024 | | 19,850 |
| United States Department of Justice: | | | |
| Pass-Through Programs: | | | |
| Colorado Department of Public Safety, Division of Crimial Justice: | | | |
| Crime Victim Assistance | 16.575 | 2022-VA-23-246-10 | 20,579 |
| Corporation for National And Community Service | | | |
| Pass-Through Programs: | | | |
| Parent Possible: | | | |
| AmeriCorps State and National | 94.006 | | 60,218 |
| TOTAL | | | $ 1,731,302 |

(Continued)

# CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC.
# dba CATHOLIC CHARITIES OF SOUTHERN COLORADO AND SUBSIDIARY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**FOR THE YEAR ENDED JUNE 30, 2023**

**Notes to Schedule:**

1. This schedule includes the federal awards activity of Catholic Charities of the Diocese of Pueblo, Inc. dba Catholic Charities of Southern Colorado and subsidiary and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements.

2. Catholic Charities of The Diocese of Pueblo, Inc. dba Catholic Charities of Southern Colorado and subsidiary provided no federal awards to subrecipients.

3. Catholic Charities of The Diocese of Pueblo, Inc. dba Catholic Charities of Southern Colorado and subsidiary has elected to use the 10 percent *de minimus* indirect cost rate to charge costs to their federal awards.

(Concluded)

STOCKMAN KAST RYAN + COMPANY

102 N. Cascade Avenue, Suite 400
Colorado Springs, CO 80903
T: 719.630.1186
F: 719.630.1187
skrco.com

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON THE AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Directors
Catholic Charities of The Diocese of Pueblo, Inc. dba Catholic Charities of Southern Colorado

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 consolidated financial statements of Catholic Charities of The Diocese of Pueblo, Inc. dba Catholic Charities of Southern Colorado and subsidiary (the Organization), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 20,2023.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*Stockman Kast Ryan + Co, LLP*

December 20, 2023

STOCKMAN KAST RYAN + COMPANY

102 N. Cascade Avenue, Suite 400
Colorado Springs, CO 80903
T: 719.630.1186
F: 719.630.1187
skrco.com

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

The Board of Directors
Catholic Charities of The Diocese of Pueblo, Inc. dba Catholic Charities of Southern Colorado

**Opinion on Each Major Federal Program**

We have audited Catholic Charities of The Diocese of Pueblo, Inc. dba Catholic Charities of Southern Colorado and subsidiary's (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2023. The Organization's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

**Basis for Opinion on Each Major Federal Program**

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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

**Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

**Auditors' Responsibility for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**Report on Internal Control Over Compliance**

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over the compliance that might be material weaknesses or significant deficiencies in internal control over compliance.

Given these limitations during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses or significant deficiencies, as defined above. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

*Stockman Kast Ryan + Co, LLP*

December 20, 2023.

# CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC.
# dba CATHOLIC CHARITIES OF SOUTHERN COLORADO AND SUBSIDIARY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
**FOR THE YEAR ENDED JUNE 30, 2023**

**SECTION I – SUMMARY OF AUDITORS' RESULTS**

**FINANCIAL STATEMENTS**

1. Type of auditors' report issued:

   ☒ Unmodified ☐ Modified ☐ Adverse ☐ Disclaimed

2. Internal control over financial reporting:

   (A) Material weakness(es) identified? ☐ Yes ☒ No
   (B) Significant deficiencies identified? ☐ Yes ☒ None Reported

3. Noncompliance material to the consolidated financial statements noted? ☐ Yes ☒ No

**FEDERAL AWARDS**

1. Internal control over major programs:

   (A) Material weakness(es) identified? ☐ Yes ☒ No
   (B) Significant deficiencies identified? ☐ Yes ☒ None Reported

2. Type of auditors' report issued on compliance for major programs:

   ☒ Unmodified ☐ Modified ☐ Adverse ☐ Disclaimed

3. Any audit findings that are required to be reported in accordance with 2CFR 200.516(a)? ☐ Yes ☒ No

4. The Organization's major programs were:

| CFDA Number | Cluster/Program |
|---|---|
| 93.870 | Maternal, Infant and Early Childhood Home Visiting Program |

5. Dollar threshold used to distinguish between Type A and Type B programs: $ 750,000

6. Auditee qualified as low-risk auditee under Section 520 of the Uniform Guidance? ☒ Yes ☐ No

(Continued)

## SECTION II – FINANCIAL STATEMENT FINDINGS

No matters are reported.

## SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters are reported.

(Concluded)

# CATHOLIC CHARITIES OF THE DIOCESE OF PUEBLO, INC.
# dba CATHOLIC CHARITIES OF SOUTHERN COLORADO AND SUBSIDIARY

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**
**FOR THE YEAR ENDED JUNE 30, 2023**

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

| Reference Number | Finding | Questioned Costs |
|---|---|---|
| 2022-001 | *Criteria or Specific Requirement* – Management is responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.<br><br>*Condition* – During 2022, the Finance Director received the bank statements directly and prepares the bank reconciliations.<br><br>*Context* – In obtaining our understanding of internal control, it was determined that the bank statement was not first routed to upper management for review prior to going to the Finance Director, and after the Finance Director prepares the bank reconciliations, there was no review of those bank reconciliations.<br><br>*Recommendation* – We recommend that someone in upper management, such as the Executive Director or a board member, review the bank statements and reconciliations on a monthly basis.<br><br>*Current status* – During 2023, the Organization implemented procedures whereby the Executive Director now reviews and initials the bank reconciliations, and these are also given to the Finance Committee for additional review. | None |