

CATHOLIC CHARITIES OF
THE RIO GRANDE VALLEY

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2023**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Catholic Charities of the Rio Grande Valley
San Juan, Texas

Opinion

We have audited the accompanying financial statements of Catholic Charities of the Rio Grande Valley (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Catholic Charities of the Rio Grande Valley as of June 30, 2023, and the changes in its net assets and its cash flows for the years 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Catholic Charities of the Rio Grande Valley 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 opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 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 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 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 Catholic Charities of the Rio Grande Valley'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Catholic Charities of the Rio Grande Valley'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the 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 August 6, 2024, on our consideration of Catholic Charities of the Rio Grande Valley'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Catholic Charities of the Rio Grande Valley's 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 of the Rio Grande Valley's internal control over financial reporting and compliance.

Correction of an Error in a Prior Period

As discussed in Note 11 to the financial statements, certain errors were discovered that resulted in the restatement of net assets as of June 30, 2022. Our opinion is not modified with respect to that matter.



August 6, 2024
El Paso, Texas

CATHOLIC CHARITIES OF
THE RIO GRANDE VALLEY

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023

	<u>2023</u>
<u>ASSETS</u>	
CURRENT ASSETS	
Cash	\$ 31,756,835
Grants receivable	1,595,555
Other assets	<u>1,142</u>
Total current assets	<u>33,353,532</u>
Property and equipment, net of accumulated depreciation	<u>3,361,712</u>
TOTAL ASSETS	\$ <u>36,715,244</u>
<u>LIABILITIES AND NET ASSETS</u>	
CURRENT LIABILITIES	
Accounts payable	\$ 60,866
Accrued expenses	54,818
Refundable advance - EFSP	<u>13,678,504</u>
Total current liabilities	<u>13,794,188</u>
NET ASSETS	
Without donor restriction	18,055,360
With donor restriction	<u>4,865,696</u>
Total net assets	<u>22,921,056</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>36,715,244</u>

See independent auditor's report and notes to financial statements.

CATHOLIC CHARITIES OF
THE RIO GRANDE VALLEY

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

	<u>2023</u>
NET ASSETS WITHOUT DONOR RESTRICTION	
Support and revenue:	
Grants and contracts	\$ 5,136,072
Contributions	1,655,019
Fundraising income	241,777
Other income	40,592
In-kind donations	<u>198,490</u>
Total support and revenue	7,271,950
Satisfaction of purpose restrictions	<u>1,317,734</u>
Total net assets without donor restriction	<u>8,589,684</u>
Expenses	
Program expense	7,104,687
General and administrative expenses	756,719
Fundraising	<u>9,491</u>
Total expenses	<u>7,870,897</u>
INCREASE IN NET ASSETS WITHOUT	
 DONOR RESTRICTION	<u>718,787</u>
NET ASSETS WITH DONOR RESTRICTION	
Grants and contracts	1,905,773
Net assets released from restrictions	<u>(1,317,734)</u>
INCREASE IN NET ASSETS WITH DONOR	
 RESTRICTION NET ASSETS	<u>588,039</u>
INCREASE IN TOTAL NET ASSETS	1,306,826
NET ASSETS, Beginning of year, as restated	<u>21,614,230</u>
NET ASSETS, End of year	<u>\$ 22,921,056</u>

See independent auditor's report and notes to financial statements.

CATHOLIC CHARITIES OF
THE RIO GRANDE VALLEY

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023

	Program Services	General and Administrative	Fundraising	Total
Salaries and Benefits	\$ 255,929	\$ 177,849	\$ -	\$ 433,778
Automobile	17,236	3,527	-	20,763
Bank charges	-	15,361	-	15,361
Brownsville Texas social services	8,567	-	-	8,567
City of McAllen CDBG	15,482	-	-	15,482
Depreciation	100,519	43,079	-	143,598
Dues and memberships	-	3,994	-	3,994
EFSP Cameron	140,041	-	-	140,041
EFSP Starr	53,536	-	-	53,536
EFSP Hidalgo	396,024	-	-	396,024
EFSP Willacy	7,738	-	-	7,738
ESG City of Brownsville	158,709	-	-	158,709
ESA Hidalgo	164,315	-	-	164,315
ESGP	1,006,329	-	-	1,006,329
Food and beverages	22,845	2,967	-	25,812
Gala expense	-	-	9,491	9,491
Hilton Foundation	340,338	-	-	340,338
Humanitarian relief expense	3,439,972	-	-	3,439,972
Write-Off Adjustments	-	188	-	188
In-kind donations	8,290	190,200	-	198,490
Insurance	29,052	12,451	-	41,503
Janitorial and cleaning supplies	9,444	4,045	-	13,489
Miscellaneous	106,003	45,522	-	151,525
Office supplies	32,840	14,074	-	46,914
Other Program	163,325	-	-	163,325
Postage and printing	2,797	1,197	-	3,994
Professional and technical services	370,772	158,901	-	529,673
Rentals and leases	29,008	12,432	-	41,440
Repairs and maintenance	70,515	30,220	-	100,735
Scanlan - Hidalgo	4,575	-	-	4,575
Kenedy - Hidalgo	20,430	-	-	20,430
TPCN	35,320	-	-	35,320
Travel and conferences	12,923	5,536	-	18,459
Utilities	55,861	23,941	-	79,802
Telephone	25,952	11,235	-	37,187
TOTAL	\$ 7,104,687	\$ 756,719	\$ 9,491	\$ 7,870,897

See independent auditor's report and notes to financial statements.

CATHOLIC CHARITIES OF
THE RIO GRANDE VALLEY

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023

	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Increase (decrease) in net assets	\$ 1,306,826
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:	
Depreciation	143,598
(Increase) decrease in:	
Grants receivable	(158,279)
Other assets	344
Increase (decrease) in:	
Accounts payable	60,866
Accrued liabilities	7,379
Refundable advance - EFSP	<u>6,519,214</u>
Net cash provided by operating activities	<u>7,879,948</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from loan receivable	-
Purchase of property, plant and equipment (net)	<u>(525,029)</u>
Net cash used in investing activities	<u>(525,029)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,354,919
CASH, Beginning of year	<u>24,401,916</u>
CASH, End of year	<u><u>\$ 31,756,835</u></u>

See independent auditor's report and notes to financial statements.

CATHOLIC CHARITIES OF
THE RIO GRANDE VALLEY

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

1. **PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES**

Catholic Charities of the Rio Grande Valley is the charitable branch of the Diocese of Brownsville. Catholic Charities of the Rio Grande Valley has projects that provide assistance to the poor and most vulnerable population in our community. It is part of the larger family of Catholic Charities USA and Caritas Internationalis. The Organization is a non-profit corporation, provides social services that promote the development of human life, primarily food, clothing, shelter, housing, rent, medical case assistance, jail and prison ministry, migrant and refugee services, counseling, casework, information and referral for additional services and any other type of necessary social service needed by people in need of assistance in the Rio Grande Valley of Texas. These services promote the social well-being of people on a totally non-discriminatory basis, according to need and with respect for dignity. The following are the services provide by the Organization:

Emergency Assistance Program

Catholic Charities provides assistance in medical consultation, transportation, shelter and other vital services.

Homelessness Prevention Program

Catholic Charities focus on housing for homeless and at-risk households. It provides temporary financial assistance and housing relocation and stabilization services to individuals and families who are homeless or would be homeless but for this assistance.

Military Family Relief Program

The mission of Catholic Charities is to provide for the needs of our community through selfless service and under the sign of love. Through the Military Family relief Project, we fulfill our mission by reaching out and offering services to military individuals and their families in need of assistance. This assistance provides counseling to individuals and/or groups in areas as post-traumatic stress therapy, grief and loss therapy, couples/marriage counseling, family counseling, parenting skills, depression and anxiety.

Pregnancy Counseling Program

Catholic Charities of the Rio Grande Valley's Pregnancy Counseling Program provides confidential support, encouragement, guidance and practical assistance to women (and / or their family) who are undergoing a crisis pregnancy, so they can feel supported and confident in choosing childbirth.

Counseling Program

Catholic Charities provides counseling programs for individuals, couples, adults and teens. Counseling services are provided through confidential means of mentoring for assistance with anxiety, depression, post-traumatic stress, marital or relationship issues.

CATHOLIC CHARITIES OF
THE RIO GRANDE VALLEY

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

1. PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Disaster Relief Program

To alleviate a family's burden that has been placed on the family after a disaster. To aid victims at risk of being homeless are assisted with financial assistance to restore their lives, reconstruct their damaged home and or provide temporary shelter.

Food Program

Catholic Charities through the food program services to promote and maintain the health and nutritional status of children and adults, promote development of good eating habits, and integrate nutritious food service with organized day care services.

Humanitarian Crisis Response

Catholic Charities responds to families in crisis. We believe that human beings who have no food, no security, no access to shower, etc. are people in crisis. We will continue responding to the needs of these families in crisis as long as there is a need. Thanks to all who have in any way or form helped thus far...all donors, volunteers, people praying for this cause, etc.
God bless us all!

Cash and cash equivalents

The Organization considers all cash and highly 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 and cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable is evaluated by management throughout the year. The allowance for doubtful accounts is based upon management's evaluation on collectability of the accounts receivable. As of June 30, 2022 and 2021, the allowance for doubtful accounts was not necessary.

Property and Equipment

Property and equipment are recorded at cost for purchased items or at fair market value at the date of acquisition for donated items generally for items over \$500. When retired or otherwise disposed of, the related carrying value and allowance for depreciation is cleared from the respective accounts and the net difference is reflected in the Statement of Activities.

Depreciation is provided using the straight-line method based on the estimated useful lives of the assets, with building and improvement being depreciated over 40 years, and vehicles and furniture and fixtures depreciated over 5 to 7 years. The cost of maintenance and repairs is expensed as incurred, whereas significant betterments and improvements are capitalized.

CATHOLIC CHARITIES OF
THE RIO GRANDE VALLEY

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

1. PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued)

We review the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended August 31, 2023.

Net Assets

Net assets, revenues and expenses, and gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board may designate, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions

Net assets subject to donor or grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Included in Net Assets released from restriction are restricted funds received in the in the current year. We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increase in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

CATHOLIC CHARITIES OF
THE RIO GRANDE VALLEY

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

1. **PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in donor restricted net assets depending on the nature of the restrictions. When a restriction expires, restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Revenue and Recognition

Revenue is recognized when earned. 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 incurred, respectively. Contributions are recognized when cash, securities or other asserts, an unconditional promise to give, or notification of beneficial interest is received. Conditional promises to give are not recognized until the condition on which they depend have been substantially met.

The Organization has adopted Accounting Standards (ASU) No. 2014-09 – Revenue from Contracts with Customers (Topic 606), as amended as management believes the standard improves the usefulness and understandability of the Organization's financial reporting.

Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were made on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Donated Materials and Services

Donated facilities are reflected as in the accompanying financial statements as their estimated fair values at the date of receipt, with an equal amount expensed or capitalized as related. The total of donated facilities recognized as income total \$198,490 for the year ended June 30, 2023. The Organization relies on a substantial amount of volunteer time at the Respite Center, the value of the time donated does not meet recognition criteria and is not included in the financial statements as in-kind service donations.

CATHOLIC CHARITIES OF
THE RIO GRANDE VALLEY

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

1. **PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Functional Allocation of Expenses

The costs of program and supporting services have been summarized on the on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code, except on net income derived from unrelated business activities. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization's Form 990 – Return of Organization Exempt From Income Tax for 2023, 2022 and 2021 are subject to examination by the IRS, generally for three years after they were filed.

Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Financial Instruments and Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash balances, accounts and pledges receivable and investments in managed funds and bonds. The Organization maintains its cash and cash equivalents in financial institution accounts, which may, at times, exceed the federally insured limit of \$250,000 set by the Federal Deposit Insurance Corporation. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash held in such institutions. At June 30, 2023, the Organization's uninsured balance totaled \$31,979,229. The Organization's accounts and pledges receivable are due from third parties. The Organization's maximum risk of accounting loss associated with these receivables is limited to the recorded amounts.

**CATHOLIC CHARITIES OF
THE RIO GRANDE VALLEY**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

1. PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

Certain reclassifications of amounts previously reported have been made to the financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 31,756,835
Accounts receivable	1,595,555
Refundable advance	<u>(13,678,504)</u>
	<u>\$ 19,673,886</u>

3. GRANTS RECEIVABLE

Grants receivable arise from amounts due to the Organization by the granting agencies for allowable expenditures not reimbursed at year-end. The Organization's management believes that the grants receivable at 2023 are fully collectible. Following is a condensed summary of the outstanding amount by program.

	<u>2023</u>
Hilton Foundation	\$ 485,000
Texas Public Safety Office	84,990
Emergency Shelter Assistance-City of Brownsville	57,074
Emergency Shelter Assistance-Hidalgo County	35,147
Emergency Food Shelter Program - Cameron	351,440
Emergency Food Shelter Program - Hidalgo	218,491
Texas Department of Housing and Community Affairs	328,664
Other	<u>34,749</u>
	<u>\$ 1,595,555</u>

**CATHOLIC CHARITIES OF
THE RIO GRANDE VALLEY**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

4. RELATED PARTY TRANSACTIONS

The Organization is related to the Roman Catholic Diocese of Brownsville (the Diocese) through common control. During the year ended June 30, 2023, the Diocese contributed \$100,000 to the Organization, which is included in contributions. Additionally, the Organization's offices reside in buildings owned by the Diocese which provide an in-kind rent donation of \$190,200 as of June 30, 2023.

5. PROPERTY AND EQUIPMENT

The following comprise the property and equipment owned by the Organization as of June 30, 2023.

	Estimated Useful Life (Years)	2023
Land		\$ 345,318
Building improvements	40	2,867,196
Computer equipment	5	115,423
Equipment	7	414,392
Vehicle	7	113,407
		<u>3,855,736</u>
Less accumulated depreciation		<u>(494,024)</u>
Land, buildings, and equipment, net		<u>\$ 3,361,712</u>

Depreciation expense for the years ended June 30, 2023 was \$143,598.

6. RETIREMENT PLAN

The Organization participates in a defined contribution plan open to all classifications of eligible employees. The Organization contributed up to 3.5% for clergy and up to 3% for laity of the participants' eligible salaries; participating employees are not required to contribute. Total plan contributions for the years ended June 30, 2023 were \$5,418.

7. REFUNDABLE ADVANCE - EFSP

The Organization received \$25,442,540 during the last 2 fiscal years of which \$11,782,681 was expensed for humanitarian relief which includes housing, transportation, and food assistance. The remaining \$13,678,504 is recorded as refundable advance pending notification from the National Board as to the final disposition of the funds.

**CATHOLIC CHARITIES OF
THE RIO GRANDE VALLEY**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following for the year ended June 30, 2023:

	<u>2023</u>
Purpose Restrictions	
Humanitarian Respite Center	\$ 4,138,885
Reliant Energy	550
Wellmed Charitable Foundation	20,000
Catholic Charities USA	30,000
Westerman Foundation	<u>35,000</u>
Total Purpose Restrictions	4,224,435
Time Restrictions	
Hilton Foundation	\$ 616,261
Kennedy Memorial Foundation	<u>25,000</u>
Total Time Restrictions	641,261
Total Net Assets with Donor Restrictions	<u>\$ 4,865,696</u>

9. CONCENTRATIONS

The Organization receives grant revenues from the State of Texas and from the State as a pass-through agency for the federal government, as well as various local sources, such as the Diocese of Brownsville and private foundations. The following is a mix of grant revenues from the various sources at June 30, 2023.

Federal/State Government	70%
Private grants and contributions	20%
Other Sources	<u>10%</u>
	<u>100%</u>

CATHOLIC CHARITIES OF
THE RIO GRANDE VALLEY

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

10. SPECIAL EVENTS

The Organization hosted a Gala event in the year ended June 30, 2023. The Organization reported the following revenues and expenses for the Gala:

	<u>2023</u>
Revenues	\$ 241,777
Expenses	<u>(9,491)</u>
Net Special Events	<u>\$ 232,286</u>

11. CORRECTION OF AN ERROR IN THE PRIOR PERIOD

During the year it was discovered that certain statement of position items included unreconciled errors. As a result, net assets as of June 30, 2022, were restated to reflect the corrections of these errors. A summary of the adjustment follows.

	<u>June 30, 2022</u>
Net assets as previously reported	<u>\$ 22,347,965</u>
Increase in accounts receivable	1,398,565
Decrease in deferred revenue	(2,220,687)
Net change in property and equipment	<u>88,387</u>
Total prior period adjustment	<u>(733,735)</u>
Net assets as restated	<u>\$ 21,614,230</u>

12. SUBSEQUENT EVENTS

Subsequent events were evaluated through August 6, 2024, which is the date the financial statements were available to be issued. In July of 2024, the Organization refunded advances of unspent grant funds totaling \$6,189,839 to its granting agencies.

SUPPLEMENTARY INFORMATION

Grantor/Cluster/Program Title Pass-Through Grantor	CFDA Number	Award Number	Expenditures			
			Direct Awards	Pass-Through Awards	Total	Subrecipients Expenditures
FEDERAL AWARDS						
<u>U.S. Department of State</u>						
Pass-Through From:						
<u>U.S. Conference of Catholic Bishops</u>						
U.S. Refugee Admissions Program	19.910	N/A	\$ -	\$ 4,900	\$ 4,900	\$ -
Total U.S. Department of State			\$ -	\$ 4,900	\$ 4,900	\$ -
<u>U.S. Department of Homeland Security</u>						
Pass-Through From:						
<u>County of Hidalgo</u>						
Emergency Food and Shelter Program (EFSP)*	97.024	812800-005	\$ -	\$ 148,423	\$ 148,423	\$ -
COVID-19 - Emergency Food and Shelter Program (EFSP) *	97.024	812800-005	-	218,491	218,491	-
EFSP Supplemental Appropriations for Humanitarian Assistance *	97.024	812800-005	-	4,340,498	4,340,498	-
<u>County of Willacy</u>						
Emergency Food and Shelter Program (EFSP) *	97.024	845200-005	-	7,115	7,115	-
<u>County of Cameron</u>						
Emergency Food and Shelter Program (EFSP) *	97.024	792400-021	-	44,075	44,075	-
COVID-19 - Emergency Food and Shelter Program (EFSP) *	97.024	792400-021	-	86,337	86,337	-
EFSP Supplemental Appropriations for Humanitarian Assistance *	97.024	792400-021	-	351,439	351,439	-
<u>County of Starr</u>						
Emergency Food and Shelter Program (EFSP) *	97.024	836400-001	-	25,705	25,705	-
COVID-19 - Emergency Food and Shelter Program (EFSP) *	97.024	836400-001	-	23,859	23,859	-
<u>Office of the Governor of Texas - Public Safety Office</u>						
Nonprofit Security Grant Program	97.008	4030103	-	84,990	84,990	-
Total U.S. Department of Homeland Security			\$ -	\$ 5,330,932	\$ 5,330,932	\$ -
<u>U.S. Department of Housing and Urban Development</u>						
Pass-Through From:						
<u>County of Hidalgo</u>						
Emergency Solutions Grant *	14.231	E-21-UC-48-0501	\$ -	\$ 145,684	\$ 145,684	\$ -
<u>Texas Department of Housing and Community Affairs</u>						
Emergency Solutions Grant *	14.231	956016075	-	1,196,332	1,196,332	-
<u>City of Brownsville</u>						
COVID-19 Emergency Solutions Grant *	14.231	E-20-MC-48-0501	-	119,586	119,586	-
<u>City of McAllen</u>						
Community Development Block Grant	14.218	132-8045-457	-	14,395	14,395	-
Total U.S. Department of Housing and Urban Development			\$ -	\$ 1,475,997	\$ 1,475,997	\$ -
TOTAL FEDERAL AWARDS			\$ -	\$ 6,811,829	\$ 6,811,829	\$ -
* Major Program						

**CATHOLIC CHARITIES OF
THE RIO GRANDE VALLEY**

**SUPPLEMENTARY INFORMATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023**

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal and State Awards include the federal grant activity of Catholic Charities of the Rio Grande Valley (a nonprofit organization) 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 Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. INDIRECT COST RATE

The Organization has not elected to not use the 10% percent minimum indirect cost rate allowed under the Uniform Guidance.

3. FEDERAL AWARDS RECONCILIATION

Total Grants and contracts	\$ 7,041,845
Less: Foundation grants	230,016
Total federal awards	<u>\$ 6,811,829</u>

4. CONTINGENCIES

The Organization had several insurance coverage agreements in effect for the fiscal year ended June 30, 2023, insurance certificates are assigned to a particular granting agency for claims arising out of the Organizations' grant agreement with the particular granting agency. The table below summarizes the insurance coverage agreements:

Type of Coverage	Holder of Certificate	Limit, each occurrence
Commercial General Liability	Texas Department of Housing & Community Affairs	\$1,000,000
Commercial General Liability	State of Texas	\$300,000
Commercial General Liability	County of Hidalgo	\$300,000
Commercial General Liability	City of McAllen	\$300,000
Commercial General Liability	City of Brownsville	\$300,000

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

To the Board of Directors
Catholic Charities of the Rio Grande Valley
San Juan, Texas

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 financial statements of Catholic Charities of the Rio Grande Valley (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 6, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Catholic Charities of the Rio Grande Valley'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of Catholic Charities of the Rio Grande Valley's internal control. Accordingly, we do not express an opinion on the effectiveness of Catholic Charities of the Rio Grande Valley'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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2023-001, 2023-002, and 2023-003 to be material weaknesses.

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 significant deficiencies. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Catholic Charities of the Rio Grande Valley's 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002.

Catholic Charities of the Rio Grande Valley's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the response.

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.



El Paso, Texas
August 6, 2024

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

To the Board of Directors
Catholic Charities of the Rio Grande Valley
San Juan, Texas

Report on Compliance for Each Major Federal Program

We have audited Catholic Charities of the Rio Grande Valley's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Catholic Charities of the Rio Grande Valley's major federal programs for the year ended June 30, 2023. Catholic Charities of the Rio Grande Valley's major federal programs 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Catholic Charities of the Rio Grande Valley's major federal programs 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 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Catholic Charities of the Rio Grande Valley's 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. However, our audit does not provide a legal determination of Catholic Charities of the Rio Grande Valley's compliance.

Opinion on Each Major Federal Program

In our opinion, Catholic Charities of the Rio Grande Valley 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 for the year ended June 30, 2023.

Report on Internal Control Over Compliance

Management of Catholic Charities of the Rio Grande Valley 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 of the Rio Grande Valley's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program 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 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Catholic Charities of the Rio Grande Valley's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2023-003 to be material weaknesses.

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 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. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2023-003.

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.



El Paso, Texas
August 6, 2024

**CATHOLIC CHARITIES OF
THE RIO GRANDE VALLEY**

**SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

 X Yes No

Significant deficiency(es) identified not considered to be material weaknesses?

 Yes X none reported

Noncompliance material to financial statements noted?

 Yes X No

Federal Awards

Internal Control over major programs:

Material weakness(es) identified?

 X Yes No

Significant deficiency(es) identified not considered to be material weaknesses?

 Yes X none reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

 Yes X No

Identification of major programs:

Assistance Listing Numbers

97.024

14.231

Name of Federal Program or Cluster

Emergency Food and Shelter Program

Emergency Solutions Grant Program

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

Catholic Charities of the Rio Grande Valley qualified as a low-risk auditee Yes X No

**CATHOLIC CHARITIES OF
THE RIO GRANDE VALLEY**

**SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

Section II - Financial Statement Findings

Reference Number: 2023-001

Criteria: The Organization should have internal controls over financial close and reporting that allow management to prevent or detect and correct misstatements on a timely basis.

Condition and Context: Due to significant turnover in the accounting department, several balance sheet items accumulated errors that were not identified in a timely manner during the financial close and reporting process. Management contracted an external accounting consulting firm to reconcile errors and improve the financial close and reporting process. The consulting firm identified and corrected errors for the year ending June 30, 2022 and implemented procedures to report accurate financial information for the 2023 fiscal year.

Effect: Net assets as of June 30, 2022 were restated to correct the accumulated errors. Additionally, management and governance did not have accurate and timely financial information for the years ending June 30, 2022 and 2023.

Cause: Over the last few years the Organization has had significant turnover in the accounting department that created breaks in internal control over financial reporting.

Recommendation: We recommend that the Organization continue to work with its external accounting consultant to ensure sound financial close and reporting procedures are followed to ensure accurate and timely reporting in the future.

Management Response: See Corrective Action Plan.

CATHOLIC CHARITIES OF
THE RIO GRANDE VALLEY

SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023

Section II - Financial Statement Findings

Reference Number 2023-002 (Repeat finding, with modifications, prior year finding 2022-003)

Criteria: In accordance with ASU 2016-14 Not-For-Profit Entities (Topic 958): Presentation of Financial Statement of Not-For-Profit Entities, the Organization should have policies and procedures to identify and classify unspent funds received by donors and awarding agencies as “Net assets without Donor Restrictions” or “Net Assets with Donor Restrictions”

Condition and Context: The Organization has not implemented a methodology for determining net assets with donor restrictions.

Effect: Prior year finding continues to be outstanding.

Recommendation: The Organization should utilize the features of its’ accounting system to track grant revenues, expenditures, and related balance sheet accounts to ensure accurate financial reporting and classification. Alternatively, the Organization can track grant revenues, expenditures and related balance sheet accounts outside of its accounting system but reconcile to award documents and the accounting system, at minimum, on a monthly basis.

Management Response: See Corrective Action Plan.

Reference Number 2023-003 (Repeat finding, prior year finding 2022-004)

Criteria: In accordance with 2 U.S. Code of Federal Regulations (CFR) 200.512, the Organization is required to submit its single audit reporting package and data collection form to the Federal Audit Clearinghouse (FAC) no later than 30 days after the date of its audited financial statements or 9 months after the fiscal year end, whichever occurs earlier.

Condition and Context: The organization did not issue its single audit reporting package until August 2024.

Effect: Late filing is considered in noncompliance with timely submission of financial information to the Federal Audit Clearinghouse.

Cause: As described in findings 2023-001 through 2023-003, the Organization suffered operational difficulties as a result of key employee turnover and internal control deficiencies. As a result, material adjustments to the financial statements and Schedule of Expenditures of Federal Awards (SEFA) were made. In order to support the adjustments and comply with Generally Accepted Government Auditing Standards significantly more time and documentation was required to be obtained. This significantly delayed the closing and delivery of the financial reporting package.

**CATHOLIC CHARITIES OF
THE RIO GRANDE VALLEY**

**SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

Section II - Financial Statement Findings (Continued)

Recommendation: The Organization should implement the recommendations in findings 2023-001 through 2023-003 to ensure that future reporting requirements are complied with in a timely manner.
Section II - Financial Statement Findings (Continued)

Management Response: See Corrective Action Plan.

Prior Year

Reference Number: 2022-001 (Repeat finding with modifications, prior year finding 2021-001)

Criteria: 2 CFR section 200.303 requires nonfederal entities to establish and maintain effective internal control over federal awards that provides reasonable assurance that the awards are being managed in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

Condition and Context:

Recordkeeping and Retention

In administering the Organization's programs, federal and otherwise, significant volumes of paper documents and records are generated. During our audit we noticed that accounting records frequently could not be located when needed, on a timely basis. The cause appears to be from the (a) lack of a clearly specified system for filing records, (b) lack of written policies and procedures that can be monitored and followed by a staff member not primarily charged with record keeping and (c) institutional knowledge not being documented, trained or otherwise passed down to other staff members, resulting in that institutional knowledge being lost when significant turnover occurs.

The Organization has had issues with key accounting positions affected by time-off and retention. As a result, data and records had to be recreated. The lack of qualified individuals on staff to handle the magnitude of federal grants, and their requirements, in the accounting department has contributed significantly to the findings.

Accounting and Financial Reporting

Most federal awards require the Organization to track and report grant activity under the accrual basis of accounting, under Generally Accepted Accounting Principles. The Organization is required to (a) report expenses when they are incurred and revenues when they are earned or (b) award funds received in advance of their obligation or expenditure are required to be reported as Net Assets with Donor Restrictions or Deferred Revenue, based on managements assessment of the award provisions, and apply the results of that assessment consistently across fiscal periods presented. During the audit we noted that accounting principles and elections were not being applied consistently to all transactions resulting in cumulative material adjustments to the financial statements.

**CATHOLIC CHARITIES OF
THE RIO GRANDE VALLEY**

**SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

Section II - Financial Statement Findings (Continued)

Effect:

Recordkeeping and Retention

This deficiency led to finding 2022-004

Accounting and Financial Reporting

This deficiency led to findings 2022-002 and 2022-003

Cause: See respective findings below.

Recommendation: We recommend that qualified individuals with expertise in federal grant management be retained. Further recommendations in the findings below.

Management Response: See Corrective Action Plan.

Reference Number: 2022-002 (Repeat Finding, with modifications prior year finding 2021-003)

Criteria: In accordance with Generally Accepted Account Principles (GAAP) management should have policies and procedures in place to record grant receivables when eligible costs are incurred and are reimbursable through a federal, state, local or private award.

Condition and Context: In reviewing grant receivables we noted that the Organization initially had recorded \$1,423,257 in receivables. Our testwork only supported receivables of \$38,711. Per discussion with management, the Organization was recording the amount of the award rather than the amount earned and billable to the granting agency.

Effect: Grants receivable and revenue were overstated by \$1,384,955. The financial statements reflect an adjustment of \$1,384,955.

Cause: There was turnover in the accounting department, the Organization hired outside accountants to complete the financial close and reporting process. This award amount and the related expenditures were not recorded in the proper period in which to recognize grant receivables and revenue. Ultimately, management is responsible for reviewing and approving the financial reports of the organization.

Recommendation: The Organization should cross-train its employees to lower the chance for institutional knowledge to disappear when key employees leave the Organization. The Organization should also create written policies and procedures tailored to the types of grant awards it receives and create a procedure that monitors the effectiveness of the policies and procedures and ensures that they are being followed.

Management Response: See Corrective Action Plan.

CATHOLIC CHARITIES OF
THE RIO GRANDE VALLEY

SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023

Section II - Financial Statement Findings (Continued)

Reference Number 2022-003 (Repeat finding, with modifications, prior year finding 2021-004)

Criteria: In accordance with ASU 2016-14 Not-For-Profit Entities (Topic 958): Presentation of Financial Statement of Not-For-Profit Entities, the Organization should have policies and procedures to identify and classify unspent funds received by donors and awarding agencies as "Net assets without Donor Restrictions" or "Net Assets with Donor Restrictions"

Condition and Context: The Organization has not implemented a methodology for determining net assets with donor restrictions.

Effect: Prior year finding continues to be outstanding.

Recommendation: The Organization should utilize the features of its' accounting system to track grant revenues, expenditures, and related balance sheet accounts to ensure accurate financial reporting and classification. Alternatively, the Organization can track grant revenues, expenditures and related balance sheet accounts outside of its accounting system but reconcile to award documents and the accounting system, at minimum, on a monthly basis.

Management Response: See Corrective Action Plan.

Reference Number 2022-004 (Repeat finding, prior year finding 2021-005)

Criteria: In accordance with 2 U.S. Code of Federal Regulations (CFR) 200.512, the Organization is required to submit its single audit reporting package and data collection form to the Federal Audit Clearinghouse (FAC) no later than 30 days after the date of its audited financial statements or 9 months after the fiscal year end, whichever occurs earlier.

Condition and Context: The organization did not issue its single audit reporting package until September 2023.

Effect: Late filing is considered in noncompliance with timely submission of financial information to the Federal Audit Clearinghouse.

Cause: As described in findings 2022-001 through 2022-003, the Organization suffered operational difficulties as a result of key employee turnover and internal control deficiencies. As a result, material adjustments to the financial statements and Schedule of Expenditures of Federal Awards (SEFA) were made. In order to support the adjustments and comply with Generally Accepted Government Auditing Standards significantly more time and documentation was required to be obtained. This significantly delayed the closing and delivery of the financial reporting package.

CATHOLIC CHARITIES OF
THE RIO GRANDE VALLEY

SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023

Recommendation: The Organization should implement the recommendations in findings 2022-001 through 2022-003 to ensure that future reporting requirements are complied with in a timely manner.
Section III. Findings and Questioned Costs for Federal Awards

Current Year

Reference finding 2023-003 above.

Prior Year

Reference prior year finding 2022-004 above.



Catholic Charities

RIO GRANDE VALLEY

Year Ended June 30, 2023

Finding: 2023-001 - Due to significant turnover in the accounting department, several balance sheet items accumulated errors that were not identified in a timely manner during the financial close and reporting process. Management contracted an external accounting consulting firm to reconcile errors and improve the financial close and reporting process. The consulting firm identified and corrected errors for the year ending June 30, 2022 and implemented procedures to report accurate financial information for the 2023 fiscal year.

Management's view:

Management acknowledges this finding, and awareness has been brought to this area. Management acknowledges its responsibility for implementing and monitoring appropriate internal control and will continue its work in improving operational continuity so that critical finance functions will be unaffected by employee turnover and other factors.

Proposed Corrective Action:

Management will continue to work with professionals specializing in the nonprofit accounting and reporting sector. Management will also expand its review of all document retention and archival policies to ensure all documentation is properly retained and easily accessible. Management has taken the following measures to ensure these objectives are met:

- Accounting staff with experience in record retention and electronic filing have been retained and all participate in ongoing cross-training so that each is capable of covering the various duties carried out within the accounting department.
- Accounting staff have begun utilizing a scan-and-attach feature of the accounting software package. Saving electronic copies of documents will better facilitate the review, approval, and reconciliation processes within the finance department. Attaching each of those scanned documents to a specific transaction within the accounting software system should make the documentation more accessible. The physical filing of documentation will continue to serve as a backup system to the electronic archiving of information.
- Management will continue its work with an accounting firm specialized in non-profit accounting to oversee changes within the accounting department and improve the formal documentation of policies, processes, and internal controls.

Anticipated Correction Date:

These measures have been implemented.

Finding 2023-002 (Repeat finding, with modifications, prior year finding 2022-003) - The Organization has not implemented a methodology for determining net assets with donor restrictions.

Management's view:

Management acknowledges this finding, and awareness has been brought to this area. Management will continue its ongoing efforts at improving financial reporting with the help of external accounting consultants specializing in the nonprofit sector.

Proposed Corrective Action:

Management recognizes the importance of implementing a policy to address the accounting for donor contributions and net assets and has taken the following steps:

- Management has accepted the recommendations of external accounting consultants and has expanded the use of software project codes in tracking revenues and expenditures by program or grant. Management will continue to explore the use of additional features available within the accounting software package to improve financial reporting.
- Management has directed the team of consulting accountants to provide local accounting staff with appropriate training in areas of revenue recognition, grant management, restriction release, and internal control.
- Management has directed the team of accounting consultants to create formal workflow processes and diagrams to assist local accounting personnel with the proper categorizing and recording of revenue and expenditures in the software system.
- The monthly closing process will be improved so that it incorporates use of a formal net asset rollforward that will be readily available at year-end.

Anticipated Correction Date:

These measures have been initiated and are expected to be completed by November 1, 2024.

Finding 2023-003 (Repeat finding, prior year finding 2022-004) - The organization did not issue its single audit reporting package until August 2024.

Management's view:

Management acknowledges its responsibility for meeting critical reporting deadlines and agrees with recommendations for improving its compliance with reporting deadlines. In reviewing the obstacles that led to not complying with such deadlines multiple protocols have been implemented to prevent such a delay.

Proposed Corrective Action:

To address matters proactively, Management has implemented the following protocols to ensure reporting deadlines are properly adhered to:

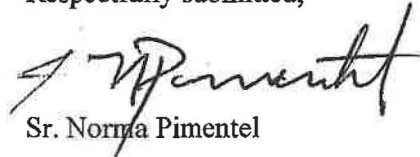
- Management has hired consultants specialized in the non-profit sector to provide oversight and ensure the organization complies with all reporting requirements on a timely basis.

- Management will continue to strengthen and formalize its monthly closing process so that end-of-year reporting is less burdensome.
- Accounting staff with experience in record retention and electronic filing have been retained and all participate in ongoing cross-training so that each is capable of covering the various duties carried out within the accounting department.
- Accounting staff have begun utilizing a scan-and-attach feature of the accounting software package. Saving electronic copies of documents will make the record retention process more efficient. Physical filing of documentation will continue to serve as a backup system. Attaching each scanned document to a specific transaction within the accounting software system should make the documentation more accessible.

Anticipated Correction Date:

These measures have been initiated and are expected to be completed by November 1, 2024. Management anticipates the fiscal year 2024 audit will be completed ahead of the required deadline.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Sr. Norma Pimentel', is written over the printed name.

Sr. Norma Pimentel