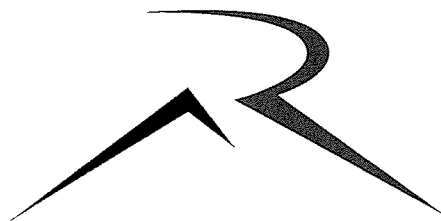


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# **CATHOLIC CHARITIES OF THE DIOCESE OF MONTEREY**

*Financial Statements As Of and For The Years  
Ended June 30, 2009 and 2008 and  
Independent Auditors' Report*

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INDEPENDENT AUDITORS' REPORT

The Board of Directors

**Catholic Charities of the Diocese of Monterey:**

We have audited the accompanying statements of financial position of **Catholic Charities of the Diocese of Monterey** ("Catholic Charities") as of June 30, 2009 and 2008, and the related statements of activities, of functional support, revenues and expenses and of cash flows for the years then ended. These financial statements are the responsibility of the management of Catholic Charities. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Catholic Charities' internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of **Catholic Charities of the Diocese of Monterey** at June 30, 2009 and 2008, and the results of its activities and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Ryan & McDonald LLP*

November 19, 2009

**CATHOLIC CHARITIES OF THE DIOCESE OF MONTEREY**

STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2009 AND 2008

ASSETS	2009		2008	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
Cash	\$ 867,263	\$ 205,473	\$ 1,082,071	\$ 320,553
Grants and contributions receivable	11,788	105,707	-	43,724
Bequests receivable	286,869	632,935	-	680,687
Interest in charitable remainder trust	-	93,762	-	88,455
Furniture and equipment – net of accumulated depreciation of \$84,668 and \$83,171 in 2009 and 2008, respectively	12,088	-	5,342	-
<b>TOTAL</b>	<b>\$ 1,178,008</b>	<b>\$ 1,037,877</b>	<b>\$ 1,087,413</b>	<b>\$ 1,133,419</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES -</b>				
Accounts payable and accrued liabilities	\$ 44,851	-	\$ 48,415	-
<b>NET ASSETS:</b>				
Unrestricted:				
Undesignated	1,121,069	-	1,033,656	-
Net invested in plant	12,088	-	5,342	-
Donor restricted	-	1,037,877	-	1,133,419
Total net assets	1,133,157	1,037,877	1,038,998	1,133,419
<b>TOTAL</b>	<b>\$ 1,178,008</b>	<b>\$ 1,037,877</b>	<b>\$ 1,087,413</b>	<b>\$ 1,133,419</b>

See notes to financial statements.



**CATHOLIC CHARITIES OF THE DIOCESE OF MONTEREY**

STATEMENT OF FUNCTIONAL SUPPORT, REVENUES AND EXPENSES  
YEAR ENDED JUNE 30, 2009

	Program Services				Administration Management and		Total	
	Supportive Services	Immigration Office	Mental Health	Total Program Services	Fundraising	General		Administration
<b>PUBLIC SUPPORT AND OTHER REVENUE:</b>								
Public Support:								
United Way:								
Monterey	\$ 13,000	\$ (3,000)	\$ 13,000	\$ 26,000		\$ 12,061	\$ 26,000	
San Benito	-	-	-	(3,000)			(3,000)	
San Luis Obispo	-	5,000	-	5,000			5,000	
Santa Cruz	2,504	2,460	1,857	6,821			6,821	
Grants	40,000	36,663	35,408	112,071			124,132	
Contributions:								
Contributions - monetary	230,826	69,896	139,833	440,555		477,819	918,374	
Contributed services	8,000	9,300	64,120	81,420		4,800	86,220	
Total public support	294,330	120,319	254,218	668,867		494,680	1,163,547	
Other revenue:								
Fees	-	20,825	84,522	105,347			105,347	
Interest income	2,091	-	-	2,091		44,440	44,440	
Bishop Clinch distribution	113,880	-	2,577	116,457		42,768	159,225	
Total public support and other revenue	410,301	141,144	341,317	892,762		581,888	1,474,650	
<b>EXPENSES:</b>								
Salaries	212,060	124,706	227,134	563,900	\$ 38,483	72,419	674,802	
Payroll taxes and employee benefits	56,327	42,422	47,645	146,394	9,554	17,979	173,927	
Rent and occupancy	7,864	13,883	21,794	43,541	3,882	7,306	54,729	
Telephone	5,170	7,108	14,088	26,366	2,183	4,108	32,657	
Supplies	3,822	2,604	8,640	15,066	1,543	2,903	19,512	
Subsidies	181,468	-	-	181,468	-	-	181,468	
Printing and publications	9,191	14,180	17,720	41,091	6,046	-	47,137	
Professional services	15,845	4,544	8,027	28,416	2,462	4,632	35,510	
Repair and maintenance	2,888	3,431	4,511	10,830	1,253	2,357	14,440	
Postage and shipping	1,618	3,020	4,746	9,384	786	1,479	11,649	
Conventions and meetings	4,705	9,413	12,684	26,802	2,157	4,060	33,019	
Hurricane relief - travel	47,031	-	-	47,031	-	-	47,031	
Depreciation	300	300	598	1,198	104	196	1,498	
Insurance	4,328	6,150	8,769	19,247	1,620	3,049	23,916	
Management fee	4,000	5,400	10,100	19,500	1,561	2,939	24,000	
Contributed services	8,000	9,300	64,120	81,420	-	4,800	86,220	
Miscellaneous	2,350	3,817	5,422	11,589	1,016	1,913	14,518	
Total expenses	566,967	250,278	455,998	1,273,243	72,650	130,140	1,476,033	
<b>EXCESS (DEFICIENCY) OF PUBLIC SUPPORT AND OTHER REVENUE OVER EXPENSES</b>	<b>\$ (115,666)</b>	<b>\$ (109,134)</b>	<b>\$ (114,681)</b>	<b>\$ (380,481)</b>	<b>\$ (72,650)</b>	<b>\$ 451,748</b>	<b>\$ (1,383)</b>	

See notes to financial statements.



**CATHOLIC CHARITIES OF THE DIOCESE OF MONTEREY**

STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2009 AND 2008

	2009		2008	
	Unrestricted	Temporarily Restricted	Total	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Change in net assets	\$ 94,159	\$ (95,542)	\$ (1,383)	\$ (7,448)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Depreciation	1,498	-	1,498	692
Change in assets and liabilities:				
Grants and contributions receivable	(11,788)	(61,983)	(73,771)	2,047
Bequests receivable	(286,869)	47,752	(239,117)	17,361
Interest in charitable remainder trust	-	(5,307)	(5,307)	(5,007)
Accounts payable and accrued liabilities	(3,564)	-	(3,564)	(17,790)
Net cash provided by (used in) operating activities	(206,564)	(115,080)	(321,644)	(10,145)
CASH FLOWS FROM INVESTING ACTIVITIES -				
Purchases of furniture and equipment	(8,244)	-	(8,244)	(2,574)
NET INCREASE (DECREASE) IN CASH	(214,808)	(115,080)	(329,888)	(12,719)
CASH:				
BEGINNING OF YEAR	1,082,071	320,553	1,402,624	1,415,343
END OF YEAR	\$ 867,263	\$ 205,473	\$ 1,072,736	\$ 1,402,624

See notes to financial statements.

## **CATHOLIC CHARITIES OF THE DIOCESE OF MONTEREY**

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2009 AND 2008

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### 1. ORGANIZATION

**Organization - Catholic Charities of the Diocese of Monterey** ("Catholic Charities") is a California corporation that was organized in July 1985 to serve the people and communities of Monterey, Santa Cruz, San Luis Obispo and San Benito Counties. The purpose of Catholic Charities is summarized by its mission statement: "The Mission of the Catholic Charities of the Diocese of Monterey is to provide specified human services to the poor and disadvantaged, to promote justice, peace, human dignity, self-determination and self-sufficiency in accord with the Gospel and Catholic Social Justice Teachings, and to cooperate with other individuals and groups of goodwill to strengthen our communities."

### 2. SIGNIFICANT ACCOUNTING POLICIES

**Basis of Presentation** – The accounts of Catholic Charities are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting purposes into funds that are in accordance with specified activities or objectives. For financial statement purposes all financial transactions are reported by the following classes of net asset categories:

Unrestricted – Unrestricted net assets consist of all resources of Catholic Charities that have not been specifically restricted by a donor.

Temporarily Restricted – Temporarily restricted net assets consist of cash and other assets received with donor stipulations that limit the use of the donated assets. Support that is temporarily restricted by the donor is reported as an increase in unrestricted net assets if the restriction is satisfied in the same reporting period in which the support is recognized. When a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

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

**Cash** – The Diocese of Monterey maintains custodial deposits on behalf of Catholic Charities as well as parishes and other entities. As such, cash consists of deposits maintained by the Diocese of Monterey in either the Cash Management Fund bearing interest at 1% or the Deposit and Loan Fund bearing interest at 3% (4% prior to March 2009).

**Donated Support** – Catholic Charities records various types of in-kind support, including professional services, tangible assets, and the use of tangible assets. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets or the use thereof, are recognized when promised or received, whichever is earlier. The amounts reflected in the accompanying financial statements as in-kind support are offset by like amounts included in expense or in the case of long-term assets, over the period benefited. Additionally, Catholic Charities receives a significant amount of

contributed time that does not meet the recognition criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements. Donated services include services valued at approximately \$40,000, which were provided by the Diocese of Monterey in both 2009 and 2008.

**Concentration of Credit Risk** – Financial instruments which potentially subject Catholic Charities to credit risk consist primarily of cash and receivables. All cash balances are maintained in the Diocese of Monterey Cash Management Fund and Deposit and Loan Fund and, as such, are subject to credit risk associated with the financial condition of the Diocese of Monterey. Management closely monitors receivables and Catholic Charities has not experienced significant credit losses.

**Furniture and equipment** is stated at cost or at the fair market value at the date of donation or purchase and depreciated on the straight-line basis over the estimated useful lives of the related assets.

**Income Taxes** – Catholic Charities has been granted tax exempt status by the Internal Revenue Service, pursuant to Section 501(c)(3) of the Internal Revenue Code, and the California Franchise Tax Board, pursuant to Section 23701(d) of the California Revenue and Taxation Code. In addition, Catholic Charities has been notified by the Internal Revenue Service that Catholic Charities is not a private foundation.

**Contributions** – Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets 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 temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**Functional Allocation of Expenses** – Expenses that can be identified with specific programs or supporting services are charged directly to the related program or supporting service. Expenses that are associated with more than one program or supporting service are allocated based on an evaluation by Catholic Charities' management. The costs of providing the various program services have been summarized on a functional basis in the statement of functional support, revenue and expenses.

**Use of Estimates** – In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent events have been updated through November 19, 2009 (date financial statements were available for issuance).

### 3. BEQUESTS RECEIVABLE

Catholic Charities is the beneficiary of a bequest under which the donor stipulated that the assets are to be held in trust by The Bishop Harry A. Clinch Trust Fund, which is responsible for making distributions to Catholic Charities of \$90,000 per year. This is reported as temporarily restricted due to the time restrictions associated with the gift. The fair values of the assets held in trust were \$632,935 and \$680,687 as of June 30, 2009 and 2008, respectively.

Catholic Charities is a one-third residual beneficiary of an estate which is currently in the process of being settled. Management estimates the value of this bequest is approximately \$250,000.

In addition, Catholic Charities is a 5% beneficiary of another estate, which was settled subsequent to year end. The amount of this bequest was \$36,869.

### 4. INTEREST IN CHARITABLE REMAINDER TRUST

Catholic Charities is a remainderman in a charitable remainder trust. The trust provides for distributions to the donor or other designated beneficiary over the trust's term (the designated beneficiary's lifetime). At the end of the trust's term, a portion of the remaining assets is distributed to and available for the use of Catholic Charities. The portion of the trust representing the present value of the estimated future benefits to be received by Catholic Charities was recorded in the Statement of Activities as temporarily restricted contribution revenue in the period the trusts were established. The value of the trust at the date of donation was \$318,750 and was discounted using a discount rate of 6% and applicable mortality tables. The present value amounted to \$93,762 and \$88,455 at June 30, 2009 and 2008, respectively.

### 5. OPERATING LEASES

Catholic Charities occupies four office sites – one each in Seaside, Watsonville, Salinas, and San Luis Obispo, California. The offices in Salinas, Watsonville and San Luis Obispo are currently rented on a month-to-month basis. The Seaside office rents space on a month-to-month basis from the Pastoral Office of the Diocese of Monterey. Rent expense was \$53,199 and \$63,408 for the years ended June 30, 2009 and 2008, respectively.

### 6. PENSION PLAN

Catholic Charities participates in the Diocese of Monterey qualified multi-employer defined contribution pension plan for all employees that regularly and customarily work 20 or more hours per week. Pension expense was approximately \$32,000 and \$28,000 for the years ended June 30, 2009 and 2008, respectively.

7. NET ASSETS

Temporarily restricted net assets were held for the following purposes at June 30:

	<u>2009</u>	<u>2008</u>
Time restrictions:		
May appeal for subsequent year's operations	\$ 75,919	\$ 119,133
Bequest	632,935	680,687
Interest in charitable remainder trust	93,762	88,455
Purpose restrictions:		
Supportive services	144,249	103,093
Hurricane relief	51,213	100,752
Community services	17,482	20,000
Mental Health	14,857	13,926
Immigration	<u>7,460</u>	<u>7,373</u>
Total	<u>\$ 1,037,877</u>	<u>\$ 1,133,419</u>

8. NET ASSETS RELEASED FROM RESTRICTION

Net assets were released from donor restrictions by satisfying the following time and purpose restrictions for the year ending June 30:

	<u>2009</u>	<u>2008</u>
Time restrictions:		
Bequest	\$ 90,750	\$ 90,000
May Appeal	119,133	66,070
Purpose restrictions:		
Supportive services	136,413	135,589
Community services	17,518	20,000
Immigration	4,365	16,618
Hurricane Relief	52,230	15,516
Mental Health	13,917	9,215
Marriage Coalition	<u>10,008</u>	<u>-</u>
Total	<u>\$ 444,334</u>	<u>\$ 353,008</u>

9. RELATED PARTY TRANSACTIONS

Administrative fees paid to the Diocese of Monterey totaled \$24,000 for each of the years ended June 30, 2009 and 2008. Rent paid to the Diocese of Monterey also totaled \$24,000 for each of the years ended June 30, 2009 and 2008.

At June 30, 2009 and 2008, Catholic Charities had cash totaling \$1,072,736 and \$1,402,624, respectively, held in the Cash Management and Deposit and Loan Funds of the Diocese of Monterey.

## 10. ASSETS SUBJECT TO VARIANCE POWER

The Bishop Harry A Clinch Endowment Fund, a trust, holds gifts intended by the donor to benefit Catholic Charities. Such gifts function as an endowment but are subject to the variance powers of the trust, which provide that all distributions are made at the sole discretion of the trustees. Accordingly, the gifts intended for Catholic Charities are contingent upon future trust declarations and are not recorded as assets in these financial statements. Catholic Charities received distributions of \$159,225 and \$148,773 in fiscal 2009 and 2008, respectively, representing 4.5% of the fair value of the assets held by the trust as of the trust's August 31 year-end. The fair value of gifts held by the trust for the intended benefit of Catholic Charities totaled approximately \$2,196,000 and \$3,316,000 at June 30, 2009 and 2008, respectively.

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